SECURITIES & EXCHANGE COMMISSION EDGAR FILING

Apollo Endosurgery, Inc.

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Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2010

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number: 000-50344

LPATH, INC.

(Name of small business issuer in its charter)

Nevada	**16-1630142**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
6335 Ferris Square, Suite A, San Diego, California	**92121**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number (858) 678-0800

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:

Title of each class
Common Stock, $0.001 par value per share

Indicate by check mark if the registrant is a well-know seasoned issuer, as defined in Rule 405 of the Securities Act Yes ☐ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. ☐

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	❑	Accelerated filer	❑
Non-accelerated filer	❑ (Do not check if a smaller reporting company)	Smaller reporting company	x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ❑ No x

The approximate aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant computed based on the last sale price of $0.63 as reported on the Over-the-Counter Bulletin Board on June 30, 2010 is $21,100,000. For purposes of this calculation, shares of common stock held by each officer and director and by each person or group who owns 10% or more of the outstanding common stock have been excluded from the calculation of aggregate market value as such persons or groups may be deemed to be affiliates.

As of March 23, 2010, there were 60,463,642 shares of the issuer's $.001 par value common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our definitive proxy statement for our 2011 annual meeting of stockholders are incorporated by reference into Part III of this annual report on Form 10-K. Our 2011 annual meeting of stockholders is scheduled to be held on June 22, 2011. We intend to file our definitive proxy statement with the Securities and Exchange Commission not later than 120 days after the conclusion of our fiscal year ended December 31, 2010.

LPATH, INC.
TABLE OF CONTENTS

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report includes statements of our expectations, intentions, plans, and beliefs that constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and are intended to come within the safe harbor protection provided by those sections. These forward-looking statements are principally contained in the section captioned “Business” under Item 1 below and the section captioned “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under Item 7 below. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the words “estimate,” “project,” “intend,” “forecast,” “anticipate,” “plan,” “planning,” “expect,” “believe,” “will,” “will likely,” “should,” “could,” “would,” “may” or words or expressions of similar meaning. All such forward-looking statements involve risks and uncertainties, including, but not limited to: our interpretation of the results of the clinical trials for our product candidates; our ability to successfully complete additional clinical trials on a timely basis and obtain regulatory approvals for one or more of our product candidates; the potential biological effects and indications for our product candidates; the market opportunity for our product candidates; our ability to complete additional discover and development activities for drug candidates utilizing our proprietary ImmuneY2 drug discovery process; and our ability to satisfy the terms of our agreement with Pfizer Inc.; and the period of time for which our existing cash will enable us to fund our operations. In addition to the items described in Item 1A of this report under the heading “Risk Factors,” many important factors affect our ability to achieve our stated objectives and to successfully develop and commercialize any product candidates, including, among other things, our ability to: demonstrate the safety and efficacy of product candidates at each stage of development; meet applicable regulatory standards and receive required regulatory approvals; meet obligations and required milestones under agreements; manufacture and distribute our products in commercial quantities at reasonable costs; compete successfully against other products; our ability to obtain funds to support our operations; and our ability to obtain and maintain necessary patents or licenses. Therefore, prospective investors are cautioned that the forward-looking statements included in this report may prove to be inaccurate and our actual results or performance may differ materially from any future results or performance expressed or implied by the forward-looking statements. In light of the significant uncertainties inherent to the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation or warranty by us or any other person that our objectives and plans will be achieved in any specified time frame, if at all. These forward-looking statements represent beliefs and assumptions only as of the date of this report. Except to the extent required by applicable laws or rules, we do not undertake any obligation to update any forward-looking statements or to announce revisions to any of the forward-looking statements.

PART I

ITEM 1. BUSINESS

Overview

Lpath, Inc. is a biotechnology company focused on the discovery and development of lipidomic-based therapeutic antibodies, an emerging field of medical science that targets bioactive signaling lipids to treat a wide range of human diseases. We have two product candidates that are currently in clinical development, and one in pre-clinical evaluation.

iSONEP

iSONEP™ is the ocular formulation of sonepcizumab, a humanized monoclonal antibody ("mAb") against sphingosine-1-phosphate ("S1P"). Sphingomab™ is the original mouse version of this monoclonal antibody. iSONEP is administered by intravitreal injection, and has demonstrated multiple mechanisms of action in ocular models of disease, including anti-angiogenesis, anti-inflammatory, anti-fibrotic and anti-vascular permeability. This combination of mechanisms would suggest: (i) iSONEP might have a comparative advantage over currently marketed products for "wet" age-related macular degeneration ("wet AMD") and (ii) iSONEP might demonstrate clinical efficacy in a broad range of retinal diseases where there is currently a significant unmet medical need, including diabetic retinopathy, dry AMD, and glaucoma-related surgery.

In 2009, we completed a Phase 1 clinical trial in which iSONEP was evaluated in patients with wet AMD. In that trial, iSONEP met its primary endpoint of being well tolerated in all 15 patients at dose levels ranging from 0.2 mg to 1.8 mg per intravitreal injection. No drug-related serious adverse events were reported in any of the patients. Positive biological effects were also observed in some patients in this clinical study, the most common being regression in choroidal neovascularization ("CNV"), which is the underlying cause of the disease that eventually leads to degeneration of the macula. Most of these positive effects appear to be largely independent of the effects seen when patients undergo treatment with the drugs that are the current market leaders for the treatment of wet AMD.

We are currently preparing to begin the next clinical studies of iSONEP in the first half of 2011 to further investigate the biological effects observed in the Phase 1 trial. In the first quarter of 2011, we plan to initiate a Phase 1b/2a clinical trial of iSONEP in patients with retinal pigment epithelium detachment ("PED"), a persistent complication in patients with the occult form of wet AMD. Of the 15 patients in the Phase 1 iSONEP trial, two patients were diagnosed with PED. With a single dose of iSONEP, both of these patients experienced complete resolution of the condition. There is currently no FDA approved treatment for PED. While the small number of patients with this condition in the iSONEP Phase 1 clinical trial makes it difficult to draw any definitive conclusions, we believe, based on advice from our Ocular Advisory Board, that a follow-up study focused specifically on PED patients is warranted. In the second quarter of 2011, we also plan to begin a larger Phase 2a clinical trial, to test iSONEP as a treatment for wet-AMD in a broader population of patients, namely, those wet-AMD patients without PED.

In December 2010, we entered into an agreement providing Pfizer Inc. with an exclusive option for a worldwide license to develop and commercialize iSONEP (the "Pfizer Agreement"). Under the terms of that agreement, Pfizer provided Lpath with an upfront option payment of $14 million and will share the cost of the planned Phase 1b and Phase 2a trials. Following completion of the two studies, Pfizer has the right to exercise its option for worldwide rights to iSONEP. If Pfizer exercises its option, Lpath will be eligible to receive an option fee as well as development, regulatory and commercial milestone payments. In addition, if iSONEP eventually becomes a commercial product, Lpath will be entitled to receive tiered double-digit royalties based on sales of iSONEP.

ASONEP

ASONEP™ is the systemic formulation of sonepcizumab. In the first quarter of 2010, we completed a Phase 1 clinical trial in which ASONEP was evaluated in very late-stage cancer patients. In that trial, ASONEP was well tolerated at all dose-levels ranging from 1 mg/kg to 24 mg/kg., other than minor infusion-related reactions observed at the highest dose. More than half the patients that completed the initial four-treatment evaluation period showed stable disease, and durable stable disease was observed in several patients. Based on ASONEP's safety profile and the observation of stable disease in several late-stage cancer patients, we believe that further investigation of ASONEP for efficacy in Phase 2 clinical trials is warranted. We are now working to complete various tasks required to move ASONEP into Phase 2 clinical testing, and are collaborating with Harvard Medical School and other collaborators on plans to conduct one or more Phase 2a clinical trials.

In 2008, we entered into a License Agreement with Merck KGaA, ("Merck") pursuant to which Merck agreed to collaborate, through its Merck-Serono division, with us to develop and commercialize ASONEP (the "Merck Agreement"). Pursuant to the terms of the Merck Agreement, we licensed to Merck exclusive, worldwide rights to develop and commercialize ASONEP across all non-ocular indications. In March 2010, Merck proposed continuing the partnership via an extension of the Initial Development Period (as defined in the Merck Agreement). However the terms of that proposed extension were rejected by Lpath's Board of Directors as not being in the best interests of Lpath or its stockholders. Consequently, Merck notified us of their decision to terminate the Merck Agreement. The termination was effective on April 24, 2010, and upon such termination Merck KGaA relinquished all rights to the ASONEP program. However, Merck may, under certain circumstances, have a right of first refusal, for a period of 12 months subsequent to the termination date, to Lpath's then next most advanced oncology drug candidate.

As part of the December 2010 Pfizer Agreement, Lpath has granted to Pfizer a time-limited right of first refusal for ASONEP.

Lpathomab

Lpathomab ™, our pre-clinical product candidate, is a mAb against lysophosphatidic acid ("LPA"), a key bioactive lipid that has long been recognized as a significant promoter of cancer-cell growth and metastasis in a broad range of tumor types. Published research has also demonstrated that LPA is a significant contributor to neuropathic pain and plays a key role in pulmonary fibrosis. We have two lead humanized mAbs that inhibit LPA. These mAbs are being tested against each other in various models of human disease to determine which of these could be most likely to succeed in clinical trials. The target date to begin testing Lpathomab in clinical trials is 2012.

ImmuneY2™ Technology

We believe we are the only company to have developed functional therapeutic monoclonal antibodies against any bioactive lipid, of which there are estimated to be 1,000 or more. We produced these unique antibodies using our ImmuneY2™ technology, a series of proprietary processes we have developed. We are currently applying the ImmuneY2 process to other bioactive lipids that are validated targets for disease treatment, thereby expanding our potential pipeline of novel monoclonal antibody-based drug candidates.

We have a strong intellectual-property position in the bioactive-lipid area, with over 50 issued or pending patents in the United States, with comparable intellectual-property coverage in major foreign countries. Most of these patents were developed in-house based on our pioneering research on bioactive lipid signaling. Our research partners to date include the M.D. Anderson Cancer Center, Johns Hopkins University, Harvard Medical School, the University of Florida College of Medicine, San Diego State University, the French National Centre for Scientific Research and the University of Melbourne, Australia.

The Emergence of Lipidomics

For many years the drug-development industry has been fundamentally protein-centric, and most drugs on the market (and almost all drug candidates in clinical trials) target proteins. The recognition among medical researchers that bioactive lipids play key roles in disease is a relatively recent development. "Although the concept of 'bioactive lipids' has been decades in the making, it has only started to gain traction in the past 20 years, and promises to occupy centre-stage in cell biology research in the twenty-first century." (*Nature Reviews*, February 2008)

In an article published in 2006, the *British Journal of Cancer* described the emergence of lipidomics in drug discovery:

> *The focus on proteins was a natural consequence of the science community's evolving understanding of biochemistry, which allowed researchers to identify potential protein targets involved in key metabolic and signaling pathways. Some of the first drugs developed by the rational-drug-design approach to the scientific method came after the discovery of key enzymes, receptors, and ion channels [all proteins] as they emerged in the basic science literature. One can argue that target identification now is driven by the technological developments of proteomics and genomics, both of which reflect the persistent 'protein-centric' view of drug discovery.*
>
> *Now, the field of lipidomics (a subset of 'metabolomics') has emerged … and provides new opportunities for drug discovery. As was the case for proteomics and genomics, tools of measurement led the way. For lipidomics, the development of electrospray tandem mass spectrometry and other tools has facilitated our understanding of the cellular lipidome, and we now believe that there are over 1,000 members of the lipidome, opening up an entire array of new potential targets for therapeutic interventions.*
>
> *It has been recognized that alterations in lipid metabolism can lead to cancer, cardiovascular disease, diabetes, neurodegenerative disorders, immune function, pain, mental disorders, and inflammation. (British Journal of Cancer, October 2006).*

We believe that we are the leader in developing lipidomic-based therapeutics and humanizing related mAbs. This emerging field of medical science involves two areas of expertise:

1. An understanding of the role of bioactive lipids in their respective signaling systems so that potentially important targets can be identified : The study of lipidomics is complex, as bioactive lipids have a molecular weight significantly lower than proteins and, unlike proteins, are not water-soluble. As such, many of the measurement and analytical tools that exist in the protein-centric pharmaceutical industry are not effective when dealing with bioactive lipids. Because of our long-standing focus on bioactive lipids as targets for human disease, we are one of the few companies that have developed the expertise and assays to address the unique challenges of lipidomics.

2. The ability to inhibit the identified bioactive-lipid targets : Bioactive lipids are difficult to inhibit for the same reasons that make them difficult to study—they are extremely small and they are not water-soluble. As such, many companies have tried to generate monoclonal antibodies that inhibit the functional activity of bioactive lipids, only to have failed. We believe we are the only company to have developed functional monoclonal antibodies against bioactive lipids such as S1P or LPA. This capability is based on our proprietary ImmuneY2 technology.

Product Opportunities

Our key product-development programs are summarized in Table 1:

Table 1. Primary Product-Development Programs

PRODUCT	Description	Indication	Status
iSONEP	mAb against S1P, a validated angiogenic growth factor & contributor to inflammation	AMD RPE Detachment Other retinal diseases	Phase 1b/2a clinical trial of iSONEP in patients with RPE Detachment expect to begin in the first quarter of 2011. Phase 2a clinical trial in Wet-AMD patients without RPE Detachment expected to begin in the second quarter of 2011. Demonstrated *in vivo* mechanisms that contribute to progression of diabetic retinopathy and wet AMD.
ASONEP	mAb against S1P, a validated angiogenic factor and validated mediator of lymphocyte trafficking	Cancer – various tumor types Multiple sclerosis (“MS”)	Phase 1 completed, and planning for Phase 2. Demonstrated *in vivo* efficacy in validated models of MS.
Lpathomab	mAb against LPA, a tumorigenic and metastatic agent and a validated contributor to neuropathic pain; in addition, the mAb was shown to inhibit fibrosis in a bleomycin model of pulmonary fibrosis	Cancer Neuropathic pain Fibrosis	Clinical candidate selection in process. Phase 1 clinical trial targeted to begin in 2012.

iSONEP

iSONEP is the ocular formulation of sonepcizumab, a monoclonal antibody against S1P, a bioactive lipid implicated in the progression of many diseases including various angiogenic-related diseases and inflammatory-oriented indications, multiple sclerosis, and many types of cancer, iSONEP—and ASONEP as well (see below)—acts as a molecular sponge to selectively absorb S1P from blood and from certain tissues.

iSONEP has demonstrated promising anti-angiogenic results in various eye models of wet AMD, as performed by Dr. Maria Grant (University of Florida) and Dr. Peter Campochiaro (Johns Hopkins University). Moreover, Dr. Peter Campochiaro also demonstrated that iSONEP has strong anti-vascular permeability effects in the eye, as well as promising anti-inflammatory properties. Studies that we performed in-house suggest iSONEP also may have anti-fibrotic effects.

In 2009, we completed a Phase 1 clinical trial in which iSONEP was evaluated in patients with wet AMD. In that trial, iSONEP met its primary endpoint of being well tolerated in all 15 patients at dose levels ranging from 0.2 mg to 1.8 mg per intravitreal injection. No drug-related serious adverse events were reported in any of the patients. Positive biological effects were also observed in some patients in this clinical study, the most common being regression in CNV, which is the underlying cause of the disease that eventually leads to degeneration of the macula. Most of these positive effects appear to be largely independent of the effects seen when patients undergo treatment with the drugs that are the current market leaders for the treatment of wet AMD.

The most significant benefit observed in the Phase 1 trial was a regression in choroidal neovascularization (CNV), which is the underlying cause of the disease that eventually leads to degeneration of the macula, the area of the retina responsible for central vision. Of the seven patients that had a baseline lesion that was considered by experienced ophthalmologists to be "large," four experienced a reduction exceeding 5 mm^2 and three experienced a reduction of greater than 75% — all with a single dose of iSONEP. This type of clinical benefit is not typical with other treatments, as the published data (Heier JS *et al. Ophthalmology.* 2006; 113:642e1-642.e4) suggest that, even with repeated Lucentis dosing, the total physical size of CNV lesion does not show much reduction.

Another distinctive benefit was the resolution of retinal pigment epithelium detachment ("PED"), a potentially serious condition that is often a part of the pathology of wet AMD. Of two patients that were diagnosed with PED in the Phase 1 trial, both experienced complete or near-complete resolution of the condition — again, with only a single dose of iSONEP.

A key observation from the Phase 1 trial was that of the five patients that showed the strongest biological effect, all five had a component of occult-type CNV (either pure occult CNV or "minimally classic" CNV). Further, these five patients were the only ones in the Phase I study that were diagnosed with occult disease. In other words, all of the patients with a component of occult CNV exhibited a strong positive biological effect during the 30-45 days following a single injection of iSONEP.

Due to the small sample size, all biological effects described above can only be characterized as possibly correlative at this time; no causal relationship has yet been established, statistically or otherwise.

The fact that these biological effects appear to be non-overlapping vis-à-vis those of the predominant market leaders, Lucentis ® and Avastin®, may be significant. Wet AMD is characterized by the pathologic disruption of the retina, which is caused collectively by (i) new-blood-vessel growth in the choroid layer under the retina, (ii) sub-retinal fibrosis, (iii) general inflammation in the retinal area, and (iv) edema caused by new blood vessels that do not form perfectly and are thereby permeable (or leaky).

Lucentis and Avastin target the protein VEGF, a validated promoter of permeable and leaky blood vessels, and appear to exert most of their beneficial effect via an anti-permeability action that results in resolution of intra and sub-retinal edema. However, the actual CNV lesion does not typically regress.

In contrast, iSONEP has been shown in various animal models of disease not only to reduce blood-vessel growth and leakiness, but to significantly mitigate ocular fibrosis (Grant et al, *Experimental Eye Research*, August 2008) and to substantially reduce inflammation in the eye (Campochiaro *et al*., *Journal of Cellular Physiology*, October 2008). As such, iSONEP has the potential to be an effective wet AMD treatment that may offer significant advantages over exclusively anti-VEGF approaches. It may also act synergistically with them as a combination therapy to address the complex processes and multiple steps that ultimately lead to vision loss for wet AMD patients.

iSONEP's non-overlapping effects relative to anti-VEGF therapeutics was predicted. As Campochiaro *et al.* state in *Journal of Cellular Physiology,* "Since S1P may have both independent and overlapping effects with VEGF, it is a particularly appealing target…There may be advantages to combined blockade of VEGF [Lucentis] and blockade of S1P [iSONEP]."

We are currently preparing to begin the next clinical studies of iSONEP in the first half of 2011 to further investigate the biological effects observed in the Phase 1 trial. In the first quarter of 2011, we plan to initiate a Phase 1b/2a clinical trial of iSONEP in patients with RPE Detachment, a persistent complication in patients with the occult form of wet AMD. We expect to begin enrolling that study in the first quarter of 2011. In the second quarter of 2011, we also plan to begin a larger Phase 2a clinical trial, to test iSONEP as a treatment for wet-AMD in a broader population of patients, namely, those wet-AMD patients without RPE Detachment.

The promising results of the Phase 1 clinical trial together with the preclinical studies suggest the following:

(i) iSONEP may have comparative advantages over currently available treatments like Lucentis and Avastin (and soon-to-be-available treatments with similar mechanisms of action like Regeneron's VEGF-Trap©). The loss of visual acuity associated with AMD is caused by a combination of all the factors mentioned above, yet Lucentis, Avastin, and the VEGF-Trap apparently fail to address inflammation and sub-retinal fibrosis. Thus, iSONEP may improve vision on a more-consistent basis across the patient population and may treat the multiple mechanisms that cause exudative-AMD-related vision loss. Such an agent might act as a monotherapy or an adjunct therapy to an anti-VEGF agent.

(ii) iSONEP may be able to inhibit the vascular and extravascular components of ischemic retinopathies such as diabetic retinopathy and the dry form of AMD, both of which represent significant unmet medical needs.

(iii) iSONEP might be efficacious in treating fibrotic-related disorders of the eye, including proliferative retinopathy, post glaucoma filtration surgery (trabeculectomy or valve implantation), and various anterior-segment diseases.

In December 2010, we entered into the Pfizer Agreement which provides Pfizer Inc. with an exclusive option for a worldwide license to develop and commercialize iSONEP. Under the terms of the agreement, Pfizer provided Lpath with an upfront option payment of $14 million and will share the cost of the planned Phase 1b and Phase 2a trials. Following completion of the two studies, Pfizer has the right to exercise its option for worldwide rights to iSONEP. If Pfizer exercises its option, Lpath will be eligible to receive an option fee as well as development, regulatory and commercial milestone payments. In addition, if iSONEP eventually becomes a commercial product, Lpath will be entitled to receive tiered double-digit royalties based on sales of iSONEP.

ASONEP

ASONEP is the systemic formulation of sonepcizumab; as such, it is also a mAb against the bioactive lipid S1P which has been implicated in the progression of various types of cancer and other angiogenic-related and inflammatory-oriented indications. It is well documented in scientific literature that S1P is a key protector of cancer cells when tumors are stressed by radiation or chemotherapy. Many studies have been conducted that demonstrate a strong link between S1P and several prevalent tumor types, including renal cell carcinoma (kidney cancer), leukemia, prostate cancer, neuroblastoma, (a brain tumor), lung cancer, pancreatic cancer, and melanoma (skin cancer).

ASONEP has demonstrated efficacy in preclinical models of several types of human cancers. In addition, the safety profile of ASONEP was extremely favorable throughout a Phase 1 clinical trial as well as in a wide variety of preclinical studies at multiples of anticipated human exposure

We believe ASONEP may be effective in reducing the four major processes of cancer progression: tumor proliferation, tumor metastasis, tumor-associated angiogenesis, and protection from cell death. The other mAbs on the market or in clinical trials of which we are aware generally inhibit only one or two tumor-promoting effects in a broad range of cancers. As such, we believe that ASONEP may have a comparative advantage over other therapeutic antibody approaches for cancer.

Other potential advantages of ASONEP, which are generally related to our unique approach of targeting bioactive lipids (whereas most therapeutic mAbs on the market and in clinical trials are directed against protein targets), include the following:

a) ASONEP's preclinical data may be more predictive of success in the clinic than typical protein-targeted drug candidates . Unlike protein targets, S1P has a single molecular structure that is conserved among species (i.e., S1P in a mouse is the same as in monkeys and humans), which is not the case for protein targets. This possibly provides for a greater translation (i.e., higher predictive value) between animal efficacy studies and possible human clinical significance.

b) Cancer cells (and other pathogenic cell types) may not as easily "escape therapy" by mutating around the therapy . When the target is a protein, cancerous cells can "escape therapy" by mutating around the therapy; they do this either (i) through a form of natural selection, by "selecting" the isoform of the protein that the drug has least efficacy against, or (ii) by making a new version of the protein that the drug is less effective against (and cancer cells have already proven to be highly likely to mutate). S1P, on the other hand, has no isoforms (or splice variants) so the natural selection process described above cannot occur. In addition, the second approach described above is highly unlikely to occur because cells are programmed to produce proteins and not lipids.

c) Antibodies that bind to lipids may be able to attain certain efficiencies and potencies that protein-targeted antibodies cannot attain . A typical antibody usually binds and inhibits one (in some cases, two) protein targets. Lipids are so small, by contrast, that each antibody can bind and inhibit two or more such lipid molecules, providing certain efficacies and potencies that typical antibodies cannot attain.

d) ASONEP has greater binding affinity than other antibodies . The affinity of ASONEP (i.e., the "strength" of binding to its target, S1P) is higher than antibody therapeutics that are currently used in the clinic as molecular sponges.

ASONEP has demonstrated favorable results in disease models for clinical indications other than cancer. In a recent preclinical study conducted at Harvard Medical School using ASONEP in an Experimental Autoimmune Encephalomyelitis (EAE) model of Multiple Sclerosis, ASONEP performed favorably compared against FTY720, a Novartis compound that was recently approved by the FDA as a treatment for Multiple Sclerosis. Further studies of ASONEP as a possible treatment for Multiple Sclerosis are planned to fully assess its potential for this indication.

In the first quarter of 2010, we completed a Phase 1 clinical trial in which ASONEP was tested in patients having cancer. The trial met its primary endpoint of identifying safe dose levels for investigation in the Phase 2 setting. ASONEP was well tolerated at all dose-levels, ranging from 1 mg/kg to 24 mg/kg. In the dose-escalation phase of the study, three evaluable patients were treated per dose level, with each one receiving four intravenous treatments during the initial evaluation period (generally on days 1, 15, 22, and 29). Patients could continue ASONEP treatment after this initial evaluation period as long as the patient's disease did not progress. The study also included an extension phase, where six additional patients were dosed at the highest dose (24 mg/kg) using the same dosing guidelines described above.

More than half the patients that completed the initial four-treatment evaluation period showed stable disease. Durable stable disease was observed in several patients. The test results offer considerable flexibility with dose level in future studies because , ASONEP was equally well tolerated across all doses that were tested, other than minor infusion-related reactions observed at the highest dose of 24 mg/kg. Based on ASONEP's safety profile together with the observation of stable disease in several late-stage cancer patients, we believe that further investigation of ASONEP in Phase 2 clinical trials is warranted. We are now working to complete various tasks required to move ASONEP into Phase 2 clinical testing, and are collaborating with Harvard Medical School and other collaborators on plans to conduct one or more Phase 2a clinical trials.

In October 2008, we entered into a License Agreement (the "Merck Agreement") with Merck KgaA, ("Merck") pursuant to which Merck agreed to collaborate, through its Merck Serono division, with us to develop and commercialize ASONEP. Pursuant to the terms of the Merck Agreement, we licensed to Merck exclusive, worldwide rights to develop and commercialize ASONEP across all non-ocular indications. In March 2010, Merck proposed moving forward with the partnership via an extension of the Initial Development Period (as defined in the Merck Agreement). However the terms of that proposal were rejected by Lpath's Board of Directors as not being in the best interests of Lpath or its stockholders. Consequently, Merck notified us of their decision to terminate the Merck Agreement. Pursuant to the terms of the Agreement, the termination was effective on April 24, 2010. Upon termination Merck KGaA relinquished all rights to the ASONEP program. However, Merck may, under certain circumstances, have a right of first refusal, for a period of 12 months subsequent to the termination date, to Lpath's then next most advanced oncology drug candidate. We received a total of $17.0 million from Merck during the term of the Agreement.

As part of the December 2010 Pfizer Agreement, Lpath has granted to Pfizer a time-limited right of first refusal for ASONEP.

Lpathomab

Our drug discovery team, using our proprietary ImmuneY2 technology, was the first, we believe, to generate functional mAbs against lysophosphatidic acid ("LPA"). LPA has long been recognized in the literature as a key factor in a variety of diseases. Published research has also demonstrated that LPA is a significant contributor to neuropathic pain, and plays a key role in pulmonary fibrosis. Because of its potentially significant role in a number of diseases, including pain, fibrosis, and cancer, many other companies have tried, unsuccessfully, to create an antibody against LPA.

We have two lead humanized mAbs that inhibit LPA. We have humanized and optimized both of these drug candidates and are in the process of testing them head-to-head to determine which of the two will move ahead into Investigational New Drug ("IND") -enabling activities. Following selection of the strongest anti-LPA drug candidate, we plan to proceed with the activities required to file an IND with the U.S. Food and Drug Administration. The target date to begin testing Lpathomab in human clinical trials is in 2012.

Business Strategy

With our long-standing focus on bioactive lipids as targets for human disease, we have developed an expertise involving various tools and technologies that positions us as a leader in the emerging category of lipidomic-based therapeutics. We intend to leverage this expertise by using our proprietary ImmuneY2 drug-discovery engine to add novel bioactive-lipid-oriented product candidates to our therapeutic pipeline. In addition, we will consider licensing in technologies and compounds that further leverage our unique expertise and related intellectual property.

Manufacturing, Development, and Commercialization Strategy

We have outsourced current Good Laboratory Practices ("cGLP") preclinical development activities (e.g., toxicology) and cGMP manufacturing and clinical development activities to contract research organizations ("CROs") and contract manufacturing organizations ("CMOs"). CROs and CMOs are third-parties that specialize in executing processes relating to project-oriented research activities on behalf of their clients and are commonly engaged in the industry. Manufacturing is only outsourced to organizations with approved facilities and manufacturing practices. Marketing, sales, and distribution will likely be through strategic partners that license the right to market, sell, and distribute our compounds in exchange for some combination of up-front payments, royalty payments, and milestone payments. Our research and development expenses were $7.8 million and $6.6 million in fiscal years 2010 and 2009, respectively.

Market and Competitive Considerations

The Wet-AMD Market

AMD is the leading cause of severe vision loss and blindness among older Americans and currently affects more than 15 million people; there are estimated to be three times this many cases each year on a worldwide basis. Some estimates show that nearly one-third of all Americans 75 years of age or older have at least some form of AMD. Although wet AMD affects only ~10% of patients with AMD, it is responsible for ~80% of the cases among patients with severe vision loss. The World Health Organization (WHO) believes that the number of people over age 60 will double over the next 16 years; leading to an increased number of AMD cases and an even larger market opportunity.

The current market leaders are the VEGF inhibitors, Lucentis® and (off-label) Avastin®. Annual revenue (U.S.) for Lucentis in 2010 was $1.5 billion, despite significant cannibalization by the off-label use of Avastin (estimated to be 50% to 60%). This off-label use is motivated by a virtually indistinguishable therapeutic index (safety and efficacy) between the two drugs but a significant cost differential. It is estimated that greater than 90% of wet AMD patients will be administered either Lucentis or Avastin.

The mAb Antibody Market and Cancer

Cancer is the second leading cause of death in the U.S. Recently, the overall health burden of cancer was estimated to be in excess of $190 billion. This great personal and societal burden has resulted in cancer becoming a major focus of R&D programs for both the U.S. government and pharmaceutical companies. These programs reflect an unprecedented effort to discover, develop, and market cancer therapeutics, a market that is expected to grow at a rate of 8% annually and to reach $85 billion by the year 2012.

Unfortunately, the considerable R&D effort devoted to cancer has not significantly mitigated the incidence of the disease, nor has it significantly increased the survival rate or reduced the duration of treatment for many cancer patients. According to *Cancer Statistics 2009*, published by the American Cancer Society, there are still approximately 1.5 million new cases of cancer diagnosed annually, resulting in over 500,000 deaths per year in the United States alone. Thus, even though a significant effort has been put forth to discover new therapeutics for cancer, effective therapeutic agents to combat many forms of the disease remain elusive. Further, traditional therapeutic agents are commonly plagued with severe side effects. Therefore, many groups have recently begun to look for new approaches to fighting the war against cancer. Among these new “innovative therapies” are gene therapy and therapeutic proteins such as mAbs, now including those against bioactive lipids.

The first mAb used clinically for the treatment of cancer was Rituxan (*rituximab*), which was launched in 1997. Since then, the sales level of this antibody has reached more than $6 billion per year. In addition, Roche’s newer mAb, Avastin, has also achieved annual sales in excess of $6 billion. These sales levels demonstrate the great potential of an effective mAb against cancer. Since the launch of Rituxan, more than 20 other mAbs have since been approved for marketing, including seven that are approved for cancer. The success of these products, as well as the reduced cost and time to develop mAbs when compared with small molecules, has made mAb therapeutics the second largest category of drug candidates behind small molecules. Further, the specificity of antibodies when compared with small molecule therapeutics has provided antibody therapeutics with a major advantage in terms of maximizing efficacy and reducing toxicity. For cancer alone, there are currently approximately 300 industry antibody R&D projects with more than 50 companies involved in developing new cancer-antibody therapeutics. In the face of this substantial competition, we are uniquely poised to use the advantages of antibody therapeutics against an entirely new class of promising targets — bioactive lipids.

Competition

The pharmaceutical, biopharmaceutical and biotechnology industries are very competitive, fast moving and intense, and expected to be increasingly so in the future. Other larger and better funded companies have developed and are developing drugs that, if not similar in type to our drugs, are designed to address the same signaling pathways, or patient or subject population. Therefore, our lead products, other products in development, or any other products we may acquire or in-license may not be the best, the safest, the first to market, or the most economical to make or use. If a competitor’s product is better than ours, for whatever reason, then our sales could be lower than that of competing products, if we are able to generate sales at all.

Collaborative Arrangements

Pfizer Inc.

In December 2010, we entered into an agreement providing Pfizer Inc. with an exclusive option for a worldwide license to develop and commercialize iSONEP™, Lpath’s lead monoclonal antibody product candidate, which is being evaluated for the treatment of wet age-related macular degeneration (wet AMD) and other ocular disorders. iSONEP is scheduled to begin a Phase 1b clinical trial in wet AMD patients with Pigment Epithelial Detachment (PED), a complication of wet AMD, in the first quarter of 2011 and a Phase 2a clinical trial in wet AMD patients in the second quarter of 2011.

Under the terms of the agreement, Pfizer provided Lpath with an upfront option payment of $14 million and will share the cost of the planned Phase 1b and Phase 2a trials. Following completion of the two studies, Pfizer has the right to exercise its option for worldwide rights to iSONEP for an undisclosed option fee and, if Pfizer exercises its option, Lpath will be eligible to receive development, regulatory and commercial milestone payments that could total up to $497.5 million; in addition, Lpath will be entitled to receive tiered double-digit royalties based on sales of iSONEP. As part of the agreement, Lpath has granted to Pfizer a time-limited right of first refusal for ASONEP™, Lpath’s product candidate that is being evaluated for the treatment of cancer.

Merck KGaA

As stated above, we entered into the Merck Agreement with Merck KGaA, pursuant to which Merck agreed to collaborate, through its Merck Serono division, with us to develop and commercialize ASONEP. Pursuant to the terms of the Merck Agreement, we licensed to Merck exclusive, worldwide rights to develop and commercialize ASONEP across all non-ocular indications. Under the terms of the Merck Agreement, Merck paid us a total of $17.0 million, including $5.0 million in 2008, $8.0 million in 2009, and $4.0 million in 2010. These amounts included an up front license fee, milestone payments, and ongoing research and development support.

In March 2010, Merck acknowledged that we had achieved a development milestone, for which we earned $2 million. Later in March 2010, Merck proposed moving forward with the partnership via an extension of the Initial Development Period (as defined in the Merck Agreement). However the terms of that proposal were rejected by Lpath's Board of Directors as not being in the best interests of Lpath or its stockholders. Consequently, Merck notified us of their decision to terminate the Merck Agreement. Pursuant to the terms of the Merck Agreement, the termination was effective on April 24, 2010, and upon termination Merck KGaA relinquished all rights to the ASONEP program. However, Merck may, under certain circumstances, have a right of first refusal, for a period of 12 months subsequent to the termination date, to Lpath's then next most advanced oncology drug candidate.

In-licensed Technology

Lonza Biologics PLC

In 2006, we entered into two licensing arrangements with Lonza Biologics PLC ("Lonza"). In the first agreement known as the "Research Evaluation Agreement", Lonza granted us a non-exclusive license to use cell-line development technology owned by Lonza for research purposes. The term of this agreement is one year, and requires an annual license fee of £35,000 (approximately $48,000 based on current exchange rates). The license may be extended at our discretion for additional one-year periods. The Research Evaluation Agreement does not permit the use of the underlying technology for the manufacture of products to be used in *in vivo* clinical studies or for commercial sale.

Under the terms of the second license from Lonza, identified as the "License Agreement," Lonza granted us a non-exclusive license with rights to use, and to authorize sublicenses to use, Lonza's cell-line technology for the production of drug material to be used in human clinical trials, as well as for commercial sale. Pursuant to the terms of the License Agreement, we are obligated to pay Lonza various annual license fees and royalties depending on whether the drug material produced using the technology is manufactured by Lonza, by us or our affiliates, or by a contract manufacturer. Unless terminated earlier, the License Agreement will continue in effect until the expiration of the patents related to the underlying technology. We may terminate the agreement at any time in our discretion by giving Lonza 60 days' written notice of termination. Either party may terminate the agreement upon a material breach by the other party, subject to certain cure periods.

AERES Biomedical Limited

In 2005, we entered into a collaboration agreement with AERES Biomedical Limited ("AERES") to humanize our sonepcizumab monoclonal antibody. Humanization under this agreement with AERES involves utilizing proprietary processes owned by AERES for the purpose of modifying sonepcizumab antibodies originally generated in mice for potential human acceptance in a clinical trial. The expenses incurred under this contract totaled approximately $834,000. The work performed by AERES was successfully completed in 2006. We could owe certain contingent amounts when and if ASONEP or iSONEP passes through the various levels of the FDA drug-candidate-review and approval processes. In 2008, we paid AERES $150,000 for the first milestone payable under the agreement, which was triggered by the filing of the ASONEP IND. AERES will be entitled to a low single-digit royalty on any revenues generated by the ultimate commercialization of ASONEP or iSONEP.

DataMabs LLP

In 2007, we entered into a collaboration agreement with DataMabs LLP ("DataMabs") to assist us in humanizing the Lpathomab monoclonal antibody. The expenses incurred to complete the work under this contract totaled $200,000. The work performed by DataMabs was successfully completed in 2007, and we completed the humanization project in early 2008. We could owe certain contingent amounts when and if Lpathomab passes through the various levels of the FDA drug-candidate-review and approval processes. DataMabs will be entitled to a low single-digit royalty on any revenues generated by the ultimate commercialization of Lpathomab.

Patents and Proprietary Rights

Our success will depend, in part, on our ability to obtain patent protection for our products in the United States and other countries. We have created a broad and deep intellectual-property position in the bioactive lipid arena. Our patent portfolio now includes more than 50 issued or pending patents in the United States, with corresponding applications in major foreign countries. These patents primarily concern the use of reagents and methods designed to interfere with the actions of bioactive lipids involved in human disease. Lpath's intellectual-property portfolio includes compositions of matter that specifically bind to sphingolipids and sphingolipid metabolites. These agents, including antibodies, could be used in the diagnosis and treatment of various diseases and disorders, including cardiovascular and cerebrovascular disease, cancer, inflammation, autoimmune disorders, ocular disease, and angiogenesis. We have also obtained issued claims on sphingolipid targets (e.g., receptors and signaling sphingolipids) and methods for using such targets in drug-discovery screening efforts. We believe that our patent portfolio provides broad, commercially significant coverage of antibodies, receptors, enzymes, or other moieties that bind to a lysolipid (or a sphingolipid metabolite) for diagnostic, therapeutic, or screening purposes.

Manufacturing

To leverage our experience and available financial resources, we do not plan to develop company-owned or company-operated manufacturing facilities. We plan to outsource all product manufacturing to contract manufacturers of clinical drug products that operate manufacturing facilities in compliance with cGMP. We will supervise these activities and may seek to refine the current manufacturing process and final product formulation to achieve improvements in storage temperatures and other characteristics.

In 2006, we entered into a contract manufacturing agreement with Laureate Pharma, Inc. ("Laureate") for the production of ASONEP and iSONEP. Pursuant to the terms of the agreement, Laureate has performed cell-line development, cell-line optimization, and upstream and downstream process development, followed by cGMP manufacture of ASONEP and iSONEP for use in clinical trials. The agreement was amended to extend the termination to December 31, 2010. We are in the process of negotiating an additional extension to this agreement to cover manufacturing activities in 2011. We may terminate the agreement at any time in our discretion by giving Laureate 90 days prior written notice.

Government Regulation

The FDA and comparable regulatory agencies in foreign countries, as well as drug regulators in state and local jurisdictions, impose substantial requirements upon the clinical development, manufacturing, and marketing of pharmaceutical products. These agencies and other federal, state and local entities regulate research and development activities and the human testing, manufacture, quality control, safety, effectiveness, labeling, storage, record keeping, approval, advertising, and promotion of our product candidates (and any other products we may develop, acquire, or in-license).

The process required by the FDA under the drug provisions of the United States Food, Drug, and Cosmetic Act before our initial products may be marketed in the U.S. generally involves the following:

- Preclinical laboratory and animal tests;
- Submission of an Investigational New Drug Application ("IND"), which must become effective before human clinical trials may begin;
- Adequate and well-controlled human clinical trials to establish the safety and efficacy of the product candidate for its intended use;
- Submission to the FDA of an New Drug Application ("NDA"); and
- FDA review and approval, or otherwise, of an NDA.

The testing and approval process requires substantial time, effort, and financial resources, and we cannot be certain that any approval will be granted on an expeditious basis, if at all. Preclinical tests include laboratory evaluation of the product candidate, its chemistry, formulation and stability, as well as animal studies to assess the potential safety and efficacy of the product candidate. Certain preclinical tests must be conducted in compliance with cGLP regulations. Violations of these regulations can, in some cases, lead to invalidation of the studies, requiring such studies to be replicated. In some cases, long-term preclinical studies are conducted while clinical studies are ongoing.

We are required to submit the results of our preclinical tests, together with manufacturing information and analytical data, to the FDA as part of an IND, which must become effective before we may begin human clinical trials. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA, within the 30-day time period, raises concerns or questions about the conduct of the trials as outlined in the IND and imposes a clinical hold. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before clinical trials can begin. Our submission of an IND may not result in FDA authorization to commence clinical trials. All clinical trials must be conducted under the supervision of a qualified investigator in accordance with good clinical practice regulations. These regulations include the requirement that all subjects provide informed consent. Further, an independent Institutional Review Board ("IRB") at each medical center proposing to conduct the clinical trials must review and approve any clinical study. Each IRB also continues to monitor the study and must be kept aware of the study's progress, particularly as to adverse events and changes in the research. Progress reports detailing the results of the clinical trials must be submitted at least annually to the FDA and more frequently if adverse events occur.

Human clinical trials are typically conducted in three sequential phases that may overlap:

- Phase 1: The drug is initially introduced into human subjects or patients and tested for safety, dosage tolerance, absorption, distribution, metabolism, and excretion ("ADME").
- Phase 2: The drug is studied in a limited patient population to identify possible adverse effects and safety risks, to determine the efficacy of the product for specific targeted diseases and to determine dosage tolerance and optimal dosage.
- Phase 3: When Phase 2 evaluations demonstrate that a dosage range of the drug is effective and has an acceptable safety profile, Phase 3 trials are undertaken to further evaluate dosage and clinical efficacy and to further test for safety in an expanded patient population, often at geographically dispersed clinical study sites.

We cannot be certain that we will successfully initiate or complete Phase 1, Phase 2, or Phase 3 testing of our product candidates within any specific time period, if at all. Furthermore, the FDA or an IRB may suspend clinical trials at any time on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable health risk.

Concurrent with clinical trials and pre-clinical studies, we also must develop information about the chemistry and physical characteristics of the drug and finalize a process for manufacturing the product in accordance with cGMP requirements. The manufacturing process must be capable of consistently producing quality batches of the product, and we must develop methods for testing the quality, purity, and potency of the final products. Additionally, appropriate packaging must be selected and tested and chemistry stability studies must be conducted to demonstrate that the product does not undergo unacceptable deterioration over its shelf-life.

The results of product development, pre-clinical studies, and clinical studies are submitted to the FDA as part of an NDA for approval of the marketing and commercial shipment of the product. The FDA reviews each NDA submitted and may request additional information, rather than accepting the NDA for filing. In this event, the application must be resubmitted with the additional information. The resubmitted application is also subject to review before the FDA accepts it for filing. Once the FDA accepts the NDA for filing, the agency begins an in-depth review of the NDA. The FDA has substantial discretion in the approval process and may disagree with our interpretation of the data submitted in the NDA.

The review process may be significantly extended by FDA requests for additional information or clarification regarding information already provided. Also, as part of this review, the FDA may refer the application to an appropriate advisory committee, typically a panel of clinicians, for review, evaluation and a recommendation. The FDA is not bound by the recommendation of an advisory committee. Manufacturing establishments often also are subject to inspections prior to NDA approval to assure compliance with cGMPs and with manufacturing commitments made in the relevant marketing application.

Under the Prescription Drug User Fee Act ("PDUFA"), submission of an NDA with clinical data requires payment of a fee to the FDA, which is adjusted annually. For fiscal year 2011, that fee is $1,542,000. In return, the FDA assigns a goal of ten months for standard NDA reviews from acceptance of the application to the time the agency issues its "complete response," in which the FDA may approve the NDA, deny the NDA if the applicable regulatory criteria are not satisfied, or require additional clinical data. Even if the requested data is submitted, the FDA may ultimately decide that the NDA does not satisfy the criteria for approval. If the FDA approves the NDA, the product becomes available for physicians to prescribe. Even if the FDA approves the NDA, the agency may decide later to withdraw product approval if compliance with regulatory standards is not maintained or if safety problems occur after the product reaches the market. The FDA may also require post-marketing studies, also known as Phase 4 studies, as a condition of approval to develop additional information regarding the safety of a product. In addition, the FDA requires surveillance programs to monitor approved products that have been commercialized, and the agency has the power to establish and require changes in labeling and to prevent further marketing of a product based on the results of these post-marketing programs.

Satisfaction of the above FDA requirements or requirements of state, local and foreign regulatory agencies typically takes several years, and the actual time required may vary substantially based upon the type, complexity and novelty of the pharmaceutical product or medical device. Government regulation may delay or prevent marketing of potential products for a considerable period of time and impose costly procedures upon our activities. We cannot be certain that the FDA or any other regulatory agency will grant approval for our lead products (or any other products we may develop, acquire, or in-license) on a timely basis, if at all. Success in preclinical or early-stage clinical trials does not assure success in later-stage clinical trials. Data obtained from preclinical and clinical activities are not always conclusive and may be susceptible to varying interpretations that could delay, limit or prevent regulatory approval. Even if a product receives regulatory approval, the approval may be significantly limited to specific indications or uses. Further, even after regulatory approval is obtained, later discovery of previously unknown problems with a product may result in restrictions on the product or even complete withdrawal of the product from the market. Delays in obtaining, or failures to obtain regulatory approvals would have a material adverse effect on our business.

Any products manufactured or distributed by us pursuant to the FDA clearances or approvals are subject to pervasive and continuing regulation by the FDA, including record-keeping requirements, reporting of adverse experiences with the drug, submitting other periodic reports, drug sampling and distribution requirements, notifying the FDA and gaining its approval of certain manufacturing or labeling changes, complying with certain electronic records and signature requirements, and complying with the FDA promotion and advertising requirements. Drug manufacturers and their subcontractors are required to register their facilities with the FDA and state agencies and are subject to periodic unannounced inspections by the FDA and state agencies for compliance with good manufacturing practices, which impose procedural and documentation requirements upon our third-party manufacturers. Failure to comply with these regulations could result, among other things, in suspension of regulatory approval, recalls, suspension of production or injunctions, seizures, or civil or criminal sanctions. We cannot be certain that our present or future subcontractors will be able to comply with these regulations and other FDA regulatory requirements.

The FDA regulates drug labeling and promotion activities. The FDA has actively enforced regulations prohibiting the marketing of products for unapproved uses. Under the FDA Modernization Act of 1997, the FDA will permit the promotion of a drug for an unapproved use in certain circumstances, but subject to very stringent requirements.

Our product candidates are also subject to a variety of state laws and regulations in those states or localities where our lead products (and any other products we may develop, acquire, or in-license) are manufactured or marketed. Any applicable state or local regulations may hinder our ability to market our lead products (and any other products we may develop, acquire, or in-license) in those states or localities. In addition, whether or not FDA approval has been obtained, approval of a pharmaceutical product by comparable governmental regulatory authorities in foreign countries must be obtained prior to the commencement of clinical trials and subsequent sales and marketing efforts in those countries. The approval procedure varies in complexity from country to country, and the time required may be longer or shorter than that required for FDA approval.

The FDA's policies may change, and additional government regulations may be enacted which could prevent or delay regulatory approval of our potential products. Moreover, increased attention to the containment of health care costs in the U.S. and in foreign markets could result in new government regulations that could have a material adverse effect on our business. We cannot predict the likelihood, nature or extent of adverse governmental regulation that might arise from future legislative or administrative action, either in the U.S. or abroad.

Other Regulatory Requirements

The U.S. Federal Trade Commission and the Office of the Inspector General of the U.S. Department of Health and Human Services ("HHS") also regulate certain pharmaceutical marketing practices. Also, reimbursement practices and HHS coverage of medicine or medical services are important to the success of procurement and utilization of our product candidates, if they are ever approved for commercial marketing.

We are also subject to numerous federal, state and local laws relating to such matters as safe working conditions, manufacturing practices, relationships with treating physicians, data protection, the export of products to certain countries, environmental protection, fire hazard control, and disposal of hazardous or potentially hazardous substances. We may incur significant costs to comply with these laws and regulations now or in the future. We cannot assure you that any portion of the regulatory framework under which we currently operate will not change and that such change will not have a material adverse effect on our current and anticipated operations.

Employees

As of March 12, 2011, we employed 18 individuals, of whom 10 held advanced degrees. A significant number of our management and professional employees have had prior experience with pharmaceutical, biotechnology, or medical product companies. Collective bargaining agreements do not cover any of our employees, and we consider relations with our employees to be good.

Executive Officers of Lpath

The following sets forth certain information regarding our executive officers as of March 12, 2011:

Name	Age	Position
Scott R. Pancoast	53	President and Chief Executive Officer
Roger A. Sabbadini, Ph.D.	64	Vice President, Chief Scientific Officer
Gary J.G. Atkinson	59	Vice President, Chief Financial Officer

Scott R. Pancoast

Chief Executive Officer, President, and Director

Mr. Pancoast has served as the President and Chief Executive Officer of Lpath since March 2005 and as a Director of Lpath since 1998. Prior to joining Lpath, from 1994 to 2005, Mr. Pancoast was the Executive Vice President of Western States Investment Corporation (WSIC), a private San Diego venture capital fund. He has served as the CEO or interim CEO for six start-up companies, and has been a member of the boards of directors for over 15 companies, including two public companies. Mr. Pancoast previously served on the board of directors of iVOW, Inc., a publicly-traded company. From 1986 to 1994 Mr. Pancoast was with National Sanitary Supply Company, where he was a member of the Board of Directors and served in various management positions including Senior Vice President — Operations and Chief Financial Officer. He is a graduate of the Harvard Business School and the University of Virginia.

Roger A. Sabbadini, Ph.D.

Scientific Founder, Vice President, and Chief Scientific Officer

Dr. Sabbadini founded Lpath Therapeutics, Inc. in 1997 and has served as the Chief Scientific Officer since its inception. Dr. Sabbadini is professor emeritus of Biology at San Diego State University (SDSU), and is the founder of three biotechnology companies incubated out of San Diego State University. Dr. Sabbadini's lab is focused on developing novel therapeutics for the treatment of sphingolipid-related diseases. Dr. Sabbadini is a Charter Member of the SDSU Molecular Biology Institute and a Charter Member of the SDSU Heart Institute. He holds a Ph.D. from the University of California, Davis.

Gary J. G. Atkinson

Vice President, Chief Financial Officer, and Secretary

Mr. Atkinson joined Lpath as Vice President, Chief Financial Officer in 2005. He has more than 20 years of financial management experience. Prior to joining Lpath, Mr. Atkinson served, from 2001 to 2005 as Senior Vice President and Chief Financial Officer at Quorex Pharmaceuticals, Inc., a drug discovery company. From 1995 to 2000, Mr. Atkinson served as Vice President of Finance at Isis Pharmaceuticals, a publicly held pharmaceutical research and development company. He began his career with Ernst & Young, and holds a B.S. from Brigham Young University.

SEC Filings; Internet Address; Trademarks

Our Internet address is www.lpath.com. We file our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports with the SEC and make such filings available free of charge on our website, www.lpath.com, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The information found on our website shall not be deemed incorporated by reference by any general statement incorporating by reference this report into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent we specifically incorporate the information found on our website by reference, and shall not otherwise be deemed filed under such Acts.

Our filings are also available through the SEC's website, www.sec.gov, and at the SEC Public Reference Room at 100 F Street, NE Washington DC 20549. For more information about the SEC Public Reference Room, you can call the SEC at 1-800-SEC-0330.

iSONEP™,ASONEP™ Lpathomab ™, ImmuneY2™ and our logo are our trademarks. This prospectus also includes trademarks, trade names and service marks that are the property of other organizations.

ITEM 1A. RISK FACTORS

Any investment in our common stock involves a high degree of risk. You should consider carefully the following information about these risks, together with the other information contained in this annual report, before you decide to buy our common stock. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our operations. If any of the following risks actually occur, our business would likely suffer and the trading price of our common stock could decline, and you may lose all or part of the money you paid to buy our common stock.

Risks primarily associated with our business:

We are in the early stages of drug development, and we may be unable to generate significant revenues and may never become profitable.

We are in the early stages of drug development, and have not received FDA approval for marketing any of our drug candidates. We have generated approximately $24.6 million in revenues through December 31, 2010 from grants and license agreements to support our research and development activities. In December 2010, we entered into the Pfizer Agreement under which Pfizer agreed to provide us with an upfront payment of $14 million in addition to sharing the cost of the planned Phase 1b and Phase 2a trials for iSONEP. We have a history of significant net losses, and we used net cash of $3.6 million during fiscal 2010 and net cash of $1.1 during fiscal 2009 to support our operations. As of December 31, 2010, we had an accumulated deficit of approximately $37.0 million. We expect to incur significant operating losses for the foreseeable future as we continue to develop and seek regulatory approval for our drug candidates. We cannot provide you any assurance that any of our drug candidates will prove to be clinically significant or will receive regulatory approval. Even if the drug candidates were to receive any regulatory approval, there can no assurance that we could provide for their effective marketing and sales, either by ourselves or in partnership with others. In addition, we cannot assure you that Pfizer will not terminate the Pfizer Agreement, or that Pfizer will exercise its option for worldwide commercial rights to iSONEP. Consequently there can be no assurance that we will ever achieve profitability and, even if we achieve profitability, that we will be able to sustain or increase profitability on a quarterly or annual basis. Accordingly, our prospects must be considered in light of the risks, expenses, and difficulties frequently encountered by companies in an early stage of drug development.

We may require, and may not be able to obtain, substantial additional financial resources in order to carry out our planned activities beyond 2012.

As they are currently planned, the cost of our ongoing drug discovery and development efforts, including general and administrative expenses, would require between $25 and $35 million from the beginning of 2011 through the end of 2012. As of December 30, 2010, we had an available cash balance of approximately $6.8 million. In December 2010 we entered into the Pfizer Agreement, under which Pfizer agreed to pay us an upfront payment of $14 million in January 2011, and to share the cost of the planned Phase 1b and Phase 2a trials for iSONEP. Additional near-term sources of cash include $2 million remaining on the $3 million BRDG-SPAN grant from the National Eye Institute (part of the National Institutes of Health) to support iSONEP-related trials, and the three year, $3 million grant from NIH awarded in 2009 that still has two years and $2 million remaining to support ASONEP clinical trials. Further, we may receive additional funding to support our operations beyond 2012 under the Pfizer Agreement if Pfizer elects to exercise its option to continue the clinical development of iSONEP. However, we cannot assure you that we will be successful in maintaining our commercial relationship with Pfizer, that Pfizer will exercise its option to commercialize iSONEP or that iSONEP will achieve the developmental, regulatory and commercial milestones that would entitle us to future payments under the Pfizer Agreement. As a result, we may be required to secure substantial additional capital to continue to fund our planned drug discovery and development projects beyond 2012.

We expect we will be required to issue additional equity or debt securities or enter into other commercial arrangements, including relationships with corporate and other partners, to secure such additional financial resources. Depending upon market conditions, we may not be successful in raising sufficient additional capital to support our long-term requirements. If we fail to obtain sufficient additional financing, or enter into relationships with others that provide additional financial resources, we will not be able to develop our product candidates on our planned timeline, or at all, and we will be required to reduce staff, reduce or eliminate research and development, slow the development of our product candidates and outsource or eliminate several business functions. In such event, our business, prospects, financial condition and results of operations could be materially adversely affected, and we may be required to cease operations.

We may not be successful in maintaining our commercial relationship with Pfizer and our other collaborations may not be successful.

In December 2010, we entered into the Pfizer Agreement, which provides Pfizer with an exclusive option for a worldwide license to develop and commercialize iSONEP. However, we cannot assure you that Pfizer will not exercise its rights to terminate the Pfizer Agreement early, that Pfizer will exercise its option to commercialize iSONEP, or that iSONEP will achieve the developmental, regulatory and commercial milestones that would entitled us to future payments under the Pfizer Agreement.

Our commercial relationship with Pfizer and the other collaborations we have entered into, or may enter into in the future, may not be successful due to one or more of the following:

- disputes with respect to payments that we believe are due under a collaboration agreement;
- disagreements with respect to ownership and use of intellectual property rights;
- unwillingness on the part of a collaborator to keep us informed regarding the progress of its development and commercialization activities, or to permit public disclosure of these activities;
- delay of a collaborator's development or commercialization efforts with respect to our drug candidates; or
- termination or non-renewal of the collaboration due to the failure of our product candidate to satisfy required developmental, regulatory or commercial milestones, changes in the collaborator's business plans or financial health or other competitive or market reasons.

In addition, in any collaborations, we may be required to agree not to conduct independently, or with any third party, any research that is competitive with the research conducted under our collaborations. Our collaborations may have the effect of limiting the areas of research that we may pursue, either alone or with others. Our collaborators, however, may be able to develop, either alone or with others, products in related fields that are competitive with the products or potential products that are the subject of these collaborations.

For example, in March 2010, Merck proposed continuing the partnership with Lpath via an extension of the Initial Development Period (as defined in the Merck Agreement). However the terms of that proposal were rejected by Lpath's Board of Directors as not being in the best interests of Lpath or our stockholders. Consequently, Merck notified us of their decision to terminate the Merck Agreement. Pursuant to the terms of the Merck Agreement, the termination was effective on April 24, 2010, and upon termination Merck KGaA relinquished all rights to the ASONEP program. However, Merck may, under certain circumstances, have a right of first refusal, for a period of 12 months subsequent to the termination date, to Lpath's then next most advanced oncology drug candidate.

We may not be able to correctly estimate our future operating expenses, which could lead to cash shortfalls.

Our operating expenses may fluctuate significantly in the future as a result of a variety of factors, many of which are outside of our control. These factors include:

- the time and resources required to develop our product candidates, conduct pre-clinical and clinical trials, obtain regulatory approvals, and create effective sales and marketing capabilities;
- the expenses we incur for research and development required to develop our drug candidates and to maintain and improve our technology;
- the costs of maintaining our commercial relationship with Pfizer;
- the costs to attract and retain personnel with the skills required for effective operations; and
- the costs of preparing, filing, prosecuting, defending and enforcing patent claims and other patent related costs, including litigation costs and the results of such litigation.

In addition, our budgeted expense levels are based in part on our expectations concerning future revenues. However, our ability to generate any revenues depends largely on the progress of our drug candidates through clinical trials, and ultimately on receiving marketing approval from the FDA, which is difficult to forecast accurately. We may be unable to adjust our operations in a timely manner to compensate for any unexpected shortfall in revenues. As a result, a significant shortfall in our planned revenues could have an immediate and material adverse effect on our business and financial condition.

We must obtain governmental approval for each of our products, which is an expensive and complicated process in which any number of problems could arise that would adversely affect our business.

Our product candidates target lipids, as opposed to proteins, and the FDA has not previously approved any similar product. Thus, we may encounter unexpected safety, efficacy, or manufacturing issues as we seek to obtain regulatory approval, and we may never receive approval from the FDA or other governmental authorities for our drug candidates.

The development, production and marketing of our products are subject to extensive regulation by government authorities in the United States and most other developed countries. The process of obtaining approval from the FDA in the United States requires conducting extensive pre-clinical and clinical testing. We have limited experience in, and limited resources available for, regulatory and clinical activities. The clinical trial process is also time-consuming, and we do not know whether planned clinical trials will begin on time or whether we will complete any of our clinical trials on schedule or at all. We estimate that the clinical trials for our first product candidate will not be completed before 2014 at the earliest. Significant delays may adversely affect our financial results and the commercial prospects for iSONEP™ and ASONEP (or our other potential products or any other products we may acquire or in-license).

Any of the following events relating to the regulatory approval of our drug candidates can occur and, if any did occur, any one could have a material adverse effect on our business, financial conditions and results of operations:

- difficulty in securing centers to conduct trials;
- difficulty in enrolling patients in conformity with required protocols or projected timelines;
- unexpected adverse reactions by patients or a temporary suspension or complete ban on trials of our products due to adverse side effects;
- inability or unwillingness of medical investigators to follow our clinical protocols;
- inability to maintain a supply of the investigational drug in sufficient quantities to support the trials;
- results of clinical trials not yielding sufficiently conclusive favorable data for regulatory agencies to approve the use of our products in development, or any other products we may acquire or in-license;
- delays, sometimes long delays, in obtaining approval for our product candidates, including, but not limited, to requests for additional clinical trials;
- changes in the rules and regulations governing the approval process for product candidates such as ours during the testing and review period, which can result in the need to spend time and money for further testing or review;
- the authorized use of any product, if approved, is more limited than required for commercial success, or approval is conditioned on completion of further clinical trials or other activities; and
- any approval being withdrawn, or limited, if previously unknown problems arise with our human-use product or data arising from its use.

Failure to comply with applicable regulations can, among other things, result in non-approval, suspensions of regulatory approvals, fines, product seizures and recalls, operating restrictions, injunctions and criminal prosecution.

The results of our clinical trials may not support either further clinical development or the commercialization of our product candidates.

Even if our clinical trials are completed as planned, their results may not support either the further clinical development or the commercialization of our product-candidates. The FDA or government authorities may not agree with our conclusions regarding the results of our clinical trials. In addition, our collaboration partners may decide that the results of our clinical trials do not support further investment by such partners. Success in preclinical testing and early clinical trials does not ensure that later clinical trials will be successful, and the results from any later clinical trials may not replicate the results of prior clinical trials and pre-clinical testing. The clinical trial process may fail to demonstrate that our product candidates are safe for humans and effective for indicated uses. This failure would cause us to abandon a product candidate and may delay development of other product candidates. Any delay in, or termination of, our clinical trials will delay the filing of our NDAs with the FDA and, ultimately, our ability to commercialize our product candidates and generate product revenues.

In addition, we or the FDA may suspend our clinical trials at any time if it appears that we are exposing participants to unacceptable health risks or if the FDA finds deficiencies in any INDs or the conduct of these trials. A number of companies in the biotechnology and drug development industries have suffered significant setbacks in advanced clinical trials despite promising results in earlier trials. In the end, we may be unable to develop marketable products.

A primary source of revenue, grant funds from the National Institutes for Health, may not continue to be a source of revenue in the future.

Although we have applied for many grants and thus far and have been awarded ten of them, the National Institutes of Health ("NIH") may not in the future find our applications worthy of such grants. In addition, the NIH requires audits of those recipients of grant funds exceeding $500,000 in any year, a threshold that we exceeded in 2010. Such audits test the allowability and allocation of expenditures and ultimately compliance with OMB Circular A-133 audit requirements. There can be no assurance that we will pass such an audit, and failure to pass could result in a material adverse effect on our cash flow and our business operations.

Our drug-development programs depend upon third-party researchers who are outside our control.

We depend upon independent investigators and collaborators, such as universities, medical institutions, and clinical research organizations to conduct our pre-clinical and clinical trials under agreements with us. Such agreements are often standard-form agreements typically not subject to extensive negotiation. These investigators or collaborators are not our employees, and in general we cannot control the amount or timing of resources that they devote to our programs. These investigators may not assign as great a priority to our programs or pursue them as diligently as we would if we were undertaking such programs ourselves. If outside collaborators fail to devote sufficient time and resources to our drug-development programs, or if their performance is substandard, the approval of our FDA applications, if any, and our introduction of new drugs, if any, will be delayed. These collaborators may also have relationships with other commercial entities, some of whom may compete with us.

Our collaborations with outside scientific and clinical advisors may be subject to restriction and change.

We work with scientific and clinical advisors at academic and other institutions who are experts in the fields of oncology, ophthalmology, and autoimmune disorders (such as multiple sclerosis). They assist us in our research and development efforts and advise us with respect to our clinical trials. These advisors are not our employees and may have other commitments that would limit their future availability to us. Although our scientific and clinical advisors and collaborators generally agree not to engage in competing work, if a conflict of interest arises between their work for us and their work for another entity, we may lose their services, which may impair our reputation in the industry and delay the clinical development of our drug candidates.

We are dependent on third-party manufacturers, over whom we have limited control, to manufacture our products.

The manufacturing process of iSONEP, ASONEP, Lpathomab, and any other therapeutic products we may want to evaluate or commercialize involves a number of steps and requires compliance with stringent quality control specifications imposed by us and by the FDA. Moreover, our proposed products may be manufactured only in a facility that has undergone a satisfactory inspection and certification by the FDA. We do not have any manufacturing facilities ourselves and expect to rely on one or more third-party manufacturers to properly manufacture our products currently in clinical development as well as any other products we may develop or in-license. We may not be able to quickly replace our manufacturing capacity if we were unable to use a third party's manufacturing facilities as a result of a fire, natural disaster (including an earthquake), equipment failure or other difficulty, or if such facilities are deemed not in compliance with current Good Manufacturing Practice ("cGMP") requirements, and the noncompliance could not be rapidly rectified. In addition, we may not be able to maintain our agreement with any manufacturer we select. For example, our agreement with our existing manufacturer of ASONEP and iSONEP expired by its terms at the end of 2010, and we are currently negotiating an extension of this agreement. There is no assurance that we will be able to renew our agreement with our existing manufacturer on acceptable terms, or at all. Our inability or reduced capacity to have our products manufactured would prevent us from successfully evaluating or commercializing our proposed products. Our dependence upon third parties for the manufacture of our proposed products may adversely affect our profit margins and our ability to develop and deliver proposed products on a timely and competitive basis. Any delays in formulation and manufacturing objectives may cause a delay in our clinical program, and could have an adverse effect on the price of our shares.

We have a limited product and technology portfolio at the current time.

Although our clinical drug candidates, iSONEP and ASONEP might ultimately show clinical relevance in multiple disease states, we have assessed their clinical potential only against AMD and cancer, respectively, and only in Phase 1 clinical trials with small numbers of patients or in animal models. There can be no assurance that any of our existing products will be successfully developed, prove to be safe and efficacious in clinical trials, meet applicable regulatory standards, be capable of being produced in commercial quantities at acceptable costs or be successfully marketed.

In addition, our ImmuneY2 process of generating monoclonal antibodies against lipid mediators may not be successful against future targets. As such, there can be no assurance that we will be able to develop a monoclonal antibody against our future targets, and thus, we may fail to generate additional clinical candidates for our pipeline.

If we are unable to establish sales and marketing capabilities or enter into agreements with third parties to sell and market any products we may develop, we may not be able to generate product revenue.

We do not currently have an organization for the sales, marketing and distribution of pharmaceutical products. In order to market any products that may be approved by the FDA, we must build a sales, marketing, managerial and other non-technical capabilities or make arrangements with third parties to perform these services. In addition, we have no experience in developing, training or managing a sales force and will incur substantial additional expenses in doing so. The cost of establishing and maintaining a sales force may exceed its cost effectiveness. Furthermore, we will compete with many companies that currently have extensive and well-funded marketing and sales operations. Our marketing and sales efforts may be unable to compete successfully against these companies. If we are unable to establish adequate sales, marketing and distribution capabilities, whether independently or with third parties, we may not be able to generate product revenue and may not become profitable.

Physicians and patients may not accept and use our drugs.

Even if the FDA approves our initial lead products (or any other product we attempt to commercialize), physicians and patients may not accept and use it. Acceptance and use of any of our future products, if approved, will depend upon a number of factors including:

- perceptions by members of the health care community, including physicians, about the safety and effectiveness of our drugs;
- cost-effectiveness of our drugs or diagnostic products relative to competing products;
- availability of reimbursement from government or other healthcare payors for our products; and
- effectiveness of marketing and distribution efforts by us and our licensees and distributors, if any.

Because we expect sales of our current product candidates, if approved, to generate substantially all of our product revenues for the foreseeable future, the failure of any of these drugs to find market acceptance, subsequent to approval, would severely harm our business.

Our industry is highly competitive, so even if our products ultimately get approved by the FDA, our success depends on our ability to sustain competitive advantages.

The pharmaceutical, biopharmaceutical and biotechnology industries are very competitive, fast moving and intense, and, are expected to be increasingly so in the future. Other companies have developed and are developing drugs that, if not similar in type to our drugs, are designed to provide comparable clinical significance. Therefore, our lead products, other products we may develop, or any other products we may acquire or in-license may not be, or may not be perceived to be, the most efficacious (at all or for a majority of patients), the safest, the first to market, or the most economical to make or use. If a competitor's product is, or is perceived to be, more advantageous than ours, for whatever reason, then we could make less money from sales, if we are able to generate sales at all.

There are many reasons why a competitor might be more successful than we are, including:

- Many competitors have greater financial resources and can afford more technical and development setbacks than we can.
- Many competitors have been in the drug-discovery and drug-development business longer than we have. They have greater experience than we have in critical areas like clinical testing, obtaining regulatory approval, and sales and marketing. This experience and their name recognition give them a competitive advantage over us.
- Some competitors may have a better patent position protecting their technology than we have or will have to protect our technology. If we cannot use our proprietary rights to prevent others from copying our technology or developing similar technology, then our competitive position will be harmed.
- Some companies with competitive technologies may move through stages of development, approval, and marketing faster than we do. If a competitor receives FDA approval before we do, then it will be authorized to sell its products before we can sell ours. Because the first company "to market" often has a significant advantage over latecomers, a second-place position could result in less-than-anticipated sales.

The United States Food, Drug, and Cosmetic Act and FDA regulations and policies provide incentives to manufacturers to challenge patent validity or create modified, non-infringed versions of a drug in order to facilitate the approval of abbreviated new drug application for generic substitutes. These same incentives also encourage manufacturers to submit new drug applications, known as 505(b)(2) applications, that rely on literature and clinical data not originally obtained by the drug sponsor. In light of these incentives and especially if our lead products (or our other drug candidates in development or any other products we may acquire or in-license) are commercially successful, other manufacturers may submit and gain successful approval for either an abbreviated new drug application or a 505(b)(2) application that will compete directly with our products. Such competition will likely cause a reduction in our revenues.

If Medicare and other third-party payors, including managed care organizations, do not provide adequate reimbursement for our drugs or our diagnostic products, if commercialized, the commercial success of our product candidates could be compromised.

Reimbursement by a third-party payor may depend on a number of factors, including a payor's determination that our product candidates, if commercialized, are: experimental or investigational; not medically necessary; not appropriate for the specific patient or clinical indication; or not cost-effective.

Reimbursement by Medicare may require a review that will be lengthy and that will be performed under the provisions of a National Coverage Decision process with payment limits as the Secretary of HHS determines appropriate. We cannot guarantee that the Secretary of HHS will act to approve any of our products, if commercialized, on a timely basis, or at all. In addition, there have been and will most likely continue to be significant efforts by both federal and state agencies to reduce costs in government healthcare programs and otherwise implement government control of healthcare costs. Any future changes in Medicare reimbursement that may come about as a result of enactment of healthcare reform or of deficit-reduction legislation will likely continue the downward pressure on reimbursement rates. In addition, emphasis on managed care in the United States may continue to pressure the pricing of healthcare services. In certain countries outside the United States, pricing and profitability of prescription pharmaceuticals are subject to government control. Third party payors, including Medicare, are challenging the prices charged for medical products and services. In addition, government and other third-party payors increasingly are limiting both coverage and the level of reimbursement for many drugs and diagnostic products. If government and other third-party payors do not provide adequate coverage and reimbursement for our products, it may adversely affect our business. Since policy-level reimbursement approval is required from each private payor individually, seeking such approvals is a time-consuming and costly process. If we are unable to obtain adequate reimbursement approval from Medicare and private payors for any of our products, or if the amount reimbursed is inadequate, our ability to generate revenue will be limited.

Health care reform, which includes amendments to the Food and Drug Act, may adversely impact our business.

The United States government and other governments have shown significant interest in pursuing healthcare reform. Any government-adopted reform measures could adversely impact:

- the pricing of healthcare products in the United States or internationally; and
- the amount of reimbursement available from governmental agencies or other third party payors.

New laws, regulations and judicial decisions, or new interpretations of existing laws, regulations and decisions, that relate to healthcare availability, methods of delivery or payment for products and services, or sales, marketing or pricing may cause our revenue to decline, and we may need to revise our research and development programs.

On September 27, 2007, the Food and Drug Administration Amendments Act of 2007 (the "FDAAA") was enacted, giving the FDA enhanced post-market authority, including the authority to require post-market studies and clinical trials, labeling changes based on new safety information, and compliance with risk evaluation and mitigation strategies approved by the FDA. The FDA's exercise of its new authority could result in delays or increased costs during the period of product development, clinical trials and regulatory review and approval, increased costs to assure compliance with new post-approval regulatory requirements, and potential restrictions on the sale of approved products.

We may incur significant or currently undeterminable costs in complying with environmental laws and regulations.

We use hazardous materials, including chemicals and biological agents and compounds that could be dangerous to human health and safety or the environment. As appropriate, we will store these materials and wastes resulting from their use at our or our outsourced laboratory facility pending their ultimate use or disposal. We will contract with a third party to properly dispose of these materials and wastes. We will be subject to a variety of federal, state and local laws and regulations governing the use, generation, manufacture, storage, handling and disposal of these materials and wastes. We may also incur significant costs complying with environmental laws and regulations adopted in the future.

We may be subject to product liability claims.

The development, manufacture, and sale of pharmaceutical products expose us to the risk of significant losses resulting from product liability claims. Although we intend to obtain and maintain product liability insurance to offset some of this risk, we may be unable to secure such insurance or it may not cover certain potential claims against us.

We may not be able to afford to obtain insurance due to rising costs in insurance premiums in recent years. If we are able to secure insurance coverage, we may be faced with a successful claim against us in excess of our product liability coverage that could result in a material adverse impact on our business. If insurance coverage is too expensive or is unavailable to us, we may be forced to self-insure against product-related claims. Without insurance coverage, a successful claim against us and any defense costs incurred in defending ourselves may have a material adverse impact on our operations.

If we lose the services of key management personnel, we may not be able to execute our business strategy effectively.

Our future success depends in a large part upon the continued service of key members of our senior management team. In particular, our Chief Executive Officer, Scott Pancoast, and our founder and Chief Scientific Officer, Roger Sabbadini, Ph.D., are all critical to our overall management as well as the development of our technology, our culture and our strategic direction. None of our executive officers and key employees has long-term employment contracts with us, and we do not maintain any key-person life insurance policies. The loss of any of our management or key personnel could materially harm our business.

We rely on highly skilled personnel and, if we are unable to retain or motivate key personnel or hire additional qualified personnel, we may not be able to grow effectively.

Our performance is largely dependent on the talents and efforts of highly skilled individuals. Our future success depends on our continuing ability to identify, hire, develop, motivate, and retain highly skilled personnel for all areas of our organization. Competition in our industry for qualified employees is intense. We expect that as more companies in the biotechnology and pharmaceutical industries establish programs to discover drugs that target bioactive lipids, the demand for scientists with experience working with bioactive lipids will increase. As that demand increases, it is likely that certain of our competitors will directly target certain of our employees. Our continued ability to compete effectively depends on our ability to retain and motivate our existing employees.

We may also need to hire additional qualified personnel with expertise in preclinical testing, clinical research and testing, government regulation, formulation and manufacturing, and sales and marketing. We compete for qualified individuals with numerous biopharmaceutical companies and other emerging entrepreneurial companies, as well as universities and research institutions. Competition for such individuals, particularly in the Southern California area, is intense. Even though the current economic conditions have somewhat softened demand for qualified personnel, we expect that over the longer term we will continue to face stiff competition and may not be able to successfully recruit or retain such personnel. Attracting and retaining qualified personnel will be critical to our success.

Risks associated with our intellectual property

Our intellectual property rights are valuable, and our inability to protect them could reduce the value of our products, services and brand.

Our patents, trademarks, trade secrets, copyrights and other intellectual property rights are critically important assets to us. Events outside of our control could jeopardize our ability to protect our intellectual property rights. For example, effective intellectual property protection may not be available in every country in which our products and services are distributed. In addition, the efforts we have taken to protect our intellectual property rights may not be sufficient or effective. Any significant impairment of our intellectual property rights could harm our business or our ability to compete. Protecting our intellectual property rights is costly and time consuming, and the unauthorized use of our intellectual property could cause these costs to rise significantly and materially affect our operating results.

While our goal is to obtain patent protection for our innovations, they may not be patentable or we may choose not to protect certain innovations that later turn out to be important for our business. Even if we do obtain protection for our innovations, the scope of protection gained may be insufficient or a patent issued may be deemed invalid or unenforceable, as the issuance of a patent is not conclusive as to its validity or as to the enforceable scope of the claims of the patent. The patenting process, enforcement of issued patents, and defense against claims of infringement are inherently costly and risky. We may not have the financial resources to defend our patents, thereby reducing our competitive position and our business prospects. Specific risks associated with the patent process include the following:

- The United States or foreign patent offices may not grant patents of meaningful scope based on the applications we have already filed and those we intend to file. If our current patents do not adequately protect our drug molecules and the indications for their use, then we will not be able to prevent imitation and any product may not be commercially viable.

- Some of the issued patents we now license may be determined to be invalid. If we have to defend the validity of the patents that we have in-licensed, the costs of such defense could be substantial, and there is no guarantee of a successful outcome. In the event any of the patents we have in-licensed is found to be invalid, we may lose competitive position and may not be able to receive royalties for products covered in part or whole by that patent under license agreements.
- In addition, changes in or different interpretations of patent laws in the United States and foreign countries may permit others to use our discoveries or to develop and commercialize our technology and products without providing any compensation to us. The laws of some countries do not protect intellectual property rights to the same extent as U.S. laws and those countries may lack adequate rules and procedures for defending our intellectual property rights. For example, some countries, including many in Europe, do not grant patent claims directed to methods of treating humans, and in these countries patent protection may not be available at all to protect our drug candidates.
- Although we try to avoid infringement, there is the risk that we will use a patented technology owned by another person or entity and/or be sued for infringement. For example, U.S. patent applications are confidential while pending in the Patent and Trademark Office, and patent offices in foreign countries often publish patent applications for the first time six months or more after filing. Further, we may not be aware of published or granted conflicting patent rights. Any conflicts resulting from patent applications and patents of others could significantly reduce the coverage of our patents and limit our ability to obtain meaningful patent protection. In addition, defending or indemnifying a third party against a claim of infringement can involve lengthy and costly legal actions, and there can be no guarantee of a successful outcome.

Specifically, we have filed patents to protect our compositions of matter and methods to treat several disease states, including cancer, cardiovascular disease, cerebrovascular disease, hyperproliferative diseases, and angiogenesis. We do not know whether our claims will be granted. Even if we do obtain protection for our innovations, the scope of protection gained may be insufficient or a patent issued may be deemed invalid or unenforceable.

We also seek to maintain certain intellectual property as trade secrets. The secrecy of this information could be compromised by third parties, or intentionally or accidentally disclosed to others by our employees, which may cause us to lose any competitive advantage we enjoy from maintaining these trade secrets.

We may in the future be subject to intellectual property rights claims, which are costly to defend, which could require us to pay damages, and which could limit our ability to use certain technologies in the future.

Companies in the pharmaceutical, biopharmaceutical and biotechnology industries own large numbers of patents, copyrights, trademarks, and trade secrets and frequently enter into litigation based on allegations of infringement or other violations by others of intellectual property rights. As our products get closer to commercialization, there is greater possibility that we may become subject to an infringement claim based on use of our technology such that we would be unable to continue using the technology without obtaining a license or settlement from third parties. We may not be able to obtain these licenses on acceptable terms, or at all. If we fail to obtain a required license or are unable to alter the design of our technology to fall outside the scope of a third party patent, we may be unable to market some of our products, which would limit our prospects for profitability.

Any intellectual property claims, whether merited or not, could be time-consuming and expensive to litigate and could cause us to divert critical management and financial resources to the resolution of such claims. We may not be able to afford the costs of litigation. Any legal action against us or our collaborators or us could lead to:

- payment of damages, potentially treble damages, if we are found to have willfully infringed a party's patent rights;
- injunctive or other equitable relief that may effectively block our ability to further develop, commercialize and sell products; or
- we or our collaborators having to enter into license arrangements that may not be available on commercially acceptable terms, if at all.

As a result, an adverse determination also could prevent us from offering our products to the marketplace.

Confidentiality agreements with employees and others may not adequately prevent disclosure of our trade secrets and other proprietary information and may not adequately protect our intellectual property.

Because we operate in the highly technical field of drug discovery and development, we rely in part on trade secret protection in order to protect our proprietary technology and processes. However, trade secrets are difficult to protect. We enter into confidentiality and intellectual property assignment agreements with our corporate partners, employees, consultants, outside scientific collaborators, sponsored researchers and other advisors. These agreements generally require that the other party keep confidential and not disclose to third parties all confidential information developed by the party or made known to the party by us during the course of the party's relationship with us. These agreements also generally provide that inventions conceived by the party in the course of rendering services to us will be our exclusive property. However, these agreements may not be honored and may not effectively assign intellectual property rights to us. Enforcing a claim that a party illegally obtained and is using our trade secrets is difficult, expensive and time consuming and the outcome is unpredictable. In addition, courts outside the United States may be less willing to protect trade secrets. The failure to obtain or maintain trade secret protection could adversely affect our competitive position.

Risks primarily associated with Our stock:

The price of our common stock may be volatile.

Our common stock is traded on the Over-the-Counter Bulletin Board ("OTCBB") and is quoted under the symbol LPTN.OB. The OTCBB is an inter-dealer, over-the-counter market that provides significantly less liquidity than a listing on the Nasdaq Stock Markets or other national securities exchange. Quotes for stocks included on the OTCBB are not listed in the financial sections of newspapers as are those for the Nasdaq Stock Market. Therefore, prices for securities traded solely on the OTCBB may be difficult to obtain.

In addition, the trading price of our common stock has in the past and may continue to fluctuate substantially. Our common stock is subject to fluctuations for many reasons, including the following:

- price and volume fluctuations in the overall stock market from time to time;
- fluctuations in stock market prices and trading volumes of similar companies;
- actions of investors that affect the market price;
- actual or anticipated changes in our earnings or fluctuations in our operating results or in the expectations of securities analysts;
- general economic conditions and trends;
- the announcement of collaboration agreements to pursue further clinical development of our drug candidates;
- sales of large blocks of our stock;
- departures of key personnel;
- changes in the regulatory status of our product candidate or clinical trials;
- announcements of new products or technologies;
- regulatory developments in the United States and other countries; and
- failure of our common stock to be listed quoted on the Nasdaq Stock Market, American Stock Exchange or other national market system.

If shares of our common or preferred stock available for issuance or shares eligible for future sale were introduced into the market, it could hurt our stock price.

We are authorized to issue 200,000,000 shares of common stock. As of December 31, 2010, there were an aggregate of 80,557,819 shares of our common stock issued and outstanding on a fully diluted basis. That total includes 5,538,267 shares of our common stock that may be issued upon the exercise of outstanding stock options and the vesting of outstanding restricted stock units, and 14,687,079 shares of common stock that may be issued upon the exercise of outstanding warrants. The exercise of outstanding options and/or warrants may cause substantial dilution to those who hold shares of common stock prior to such exercises. In addition, sales of substantial amounts of the common stock in the public market by these holders or perceptions that such sales may take place may lower the common stock's market price.

We may sell our authorized, but unissued, common stock to satisfy our funding requirements. We are also authorized to issue 15,000,000 shares of preferred stock, without stockholder approval. The preferred stock may have rights that are superior to the rights of the holders of our common stock, at a purchase price then approved by our Board of Directors. The sale or the proposed sale of substantial amounts of our common or preferred stock in the public markets may adversely affect the market price of our common stock and our stock price. Our stockholders may also experience substantial dilution.

Our common stock is considered "a penny stock" and, as a result, it may be difficult to trade a significant number of shares of our common stock.

The Securities and Exchange Commission ("SEC") has adopted regulations that generally define "penny stock" to be an equity security that has a market price of less than $5.00 per share, subject to specific exemptions. Our stock is currently less than $5.00 per share, and is classified as a "penny stock." As a result, any broker or dealer selling our stock must disclose certain information concerning the transaction, obtain a written agreement from the purchaser and determine that the purchaser is reasonably suitable to purchase our securities. These rules may restrict the ability of brokers or dealers to sell our common stock and may affect the ability of investors to sell their shares.

We have not taken any of the steps necessary to register our Class A common stock with the securities division of any state within the United States.

We have not applied to register our Class A common stock under the laws of any state or other jurisdiction of the United States other than under the U.S. Securities Act of 1933, as amended, nor do we intend to make such an application. Until our common stock is listed for trading on a U.S. national securities exchange, trading in, or the offer and sale of, our common stock will be subject to the securities laws of the various states and jurisdictions of the United States in addition to U.S. federal securities law. These state securities laws cover all secondary trading that could enter a purchaser's home state. As a result, holders may not resell their shares of common stock in the United States without satisfying the applicable state securities law or qualifying for an exemption therefrom, including the exemptions provided under the U.S. National Securities Markets Improvement Act of 1996. These restrictions and potential costs could be significant burdens to our stockholders seeking to effect resales of our common stock within the United States.

We do not currently intend to pay dividends on our common stock and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We currently intend to invest our future earnings, if any, to fund the development and growth of our business. The payment of dividends will be at the discretion of our board of directors and will depend on our results of operations, capital requirements, financial condition, future prospects, contractual arrangements, restrictions imposed by applicable law, any limitations on payments of dividends present in any debt agreements we may enter into and other factors our board of directors may deem relevant. If we do not pay dividends, your ability to achieve a return on your investment in our company will depend on any future appreciation in the market price of our common stock. There is no guarantee that our common stock will appreciate in value or even maintain the price at which our holders have purchased their common stock.

We will incur costs and demands upon management as a result of complying with the laws and regulations affecting public companies, which may adversely affect our operating results, and failure to achieve and maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could cause investors to lose confidence in our operating results and in the accuracy of our financial reports and could have a material adverse effect on our business and on the price of our common stock.

As a public company, we will be required, pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. Our first report on compliance with Section 404(b) may be in connection with our financial statements for the year ending December 31, 2011, depending upon the value of our public float as of June 30, 2011. The controls and other procedures are designed to ensure that information required to be disclosed by us in the reports that we file with the Securities and Exchange Commission, or SEC, is disclosed accurately and is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. We believe that we have conformed our internal control procedures to the requirements of Section 404. Although we have developed controls that we believe to be effective, these controls may become inadequate because of changes in conditions or the degree of compliance with these policies or procedures may deteriorate. Furthermore, even with these procedures in place additional weaknesses in our internal control over financial reporting may be discovered. In the event that we are not able to demonstrate compliance with Section 404 in a timely manner, or are unable to produce timely or accurate financial statements, we may be subject to sanctions or investigations by regulatory authorities such as the SEC and investors may lose confidence in our operating results and the price of our common stock could decline.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our administrative offices and research facilities are located in San Diego, California, and we consider them to be in good condition and adequately utilized. We lease approximately 7,300 square feet of laboratory and office space. This lease arrangement expires in May 2011. Approximately 500 square feet of the facility is subleased to a company that is co-owned by two of our largest stockholders. The terms of this sublease, in general, are identical to the terms of our direct lease.

ITEM 3. LEGAL PROCEEDINGS

We are not currently a party in any legal proceedings.

ITEM 4. RESERVED

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Since December 1, 2005, our common stock has traded under the symbol "LPTN.OB" on the OTCBB. The OTCBB is a regulated quotation service that displays real-time quotes, last-bid prices and volume information in over-the-counter equity securities. The OTCBB securities are traded by a community of market makers that enter quotes and trade reports. The closing price of our common stock on March 10, 2011 was $1.22 per share.

The following table sets forth the high and low last-bid prices for our common stock for the periods indicated, as reported by the OTCBB. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

	2010		2009	
	High	Low	High	Low
First quarter	$1.04	$0.75	$1.10	$0.50
Second quarter	$0.90	$0.44	$1.42	$0.70
Third quarter	$0.79	$0.50	$1.42	$0.78
Fourth quarter	$0.96	$0.70	$1.02	$0.65

As of March 19, 2011, we had approximately 99 stockholders of record (excluding an indeterminable number of stockholders whose shares are held in street or "nominee" name) of our common stock. We have not paid any dividends on our common stock since our inception and do not expect to pay dividends on our common stock in the foreseeable future.

The following table summarizes our compensation plans under which our equity securities are authorized for issuance as of December 31, 2010:

EQUITY COMPENSATION PLAN INFORMATION

	Number of Sharesto be Issued Upon Exercise of Outstanding Stock Options and Restricted Stock Units	Weighted-Average Exercise Price of Outstanding Stock Options	Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by security holders	5,538,267(1)	$ 0.57(2)	3,275,082
Equity compensation plans not approved by security holders	—	—	—
Total	5,538,267	$ 0.57	3,275,082

(1) Includes 2,705,432 restricted stock units.
(2) Excludes 2,705,432 restricted stock units.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis in conjunction with our financial statements and related notes contained elsewhere in this report. This discussion contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a variety of factors, including those set forth under Item 1A, "Risk Factors" and elsewhere in this report and those discussed in other documents we file with the SEC. In light of these risks, uncertainties and assumptions, readers are cautioned not to place undue reliance on such forward-looking statements. These forward-looking statements represent beliefs and assumptions only as of the date of this report. Except as required by applicable law, we do not intend to update or revise forward-looking statements contained in this report to reflect future events or circumstances.

Overview

We are a biotechnology company focused on the discovery and development of lipidomic-based therapeutics. Lipidomics is an emerging field of medical science whereby bioactive signaling lipids are targeted to treat important human diseases. We have three product candidates, iSONEP™ , ASONEP™ , and Lpathomab™. iSONEP is a monoclonal antibody against sphingosine-1-phosphate (S1P) formulated for treating retinal diseases. iSONEP has completed Phase I clinical trials and demonstrated promising results in treating patients afflicted with age-related macular degeneration. Studies conducted in models of human ocular disease indicate that iSONEP may also be useful in treating other ocular diseases including retinopathy, and glaucoma. ASONEP (another formulation of the same S1P-targeted antibody) completed a Phase 1 clinical trial in the first quarter of 2010, and we believe that it holds promise for the treatment of cancer and other diseases. Lpathomab™ is an antibody against lysophosphatidic acid (LPA), a key bioactive lipid that has been long recognized as a valid disease target. Lpathomab is in pre-clinical testing. Our ability to generate novel antibodies against bioactive lipids is based on our ImmuneY2™ technology, a series of proprietary processes we have developed. We are currently applying the Immune Y2 process to other lipid-signaling agents that are validated targets for disease treatment, thereby potentially creating a pipeline of monoclonal antibody-based drug candidates.

We expect that the cost of our ongoing research and development activities, including general and administrative expenses, will approximate $25 to $35 million over the two year period ending December 31, 2012. This estimate includes the expenses to conduct Phase 1b and 2a clinical trials for iSONEP, as well as to manufacture clinical material and initiate Phase 2a clinical trials for ASONEP. In addition, this estimate includes the expenses to prepare for preclinical testing of our third product candidate, Lpathomab. We expect our expenditures to increase as we continue the advancement of our product development programs. The lengthy process of completing clinical trials and seeking regulatory approval for one product candidate typically requires expenditures in excess of approximately $100 million. Any failure by us or delay in completing clinical trials, or in obtaining regulatory approvals, would cause our research and development expenses to increase and, in turn, have a material adverse effect on our results of operations.

Revenue

In December 2010, we entered into an agreement (the "Pfizer Agreement") providing Pfizer Inc ("Pfizer") with an exclusive option for a worldwide license to develop and commercialize iSONEP™, our lead monoclonal antibody product candidate that is being evaluated for the treatment of wet age-related macular degeneration (wet AMD) and other ophthalmic disorders. iSONEP is scheduled to begin a Phase 1b clinical trial in wet AMD patients with Pigment Epithelial Detachment (PED), a complication of wet AMD, in the first quarter of 2011 and a Phase 2a clinical trial in wet AMD patients in the second quarter of 2011.

Under the terms of the Pfizer Agreement, Pfizer made a $14 million upfront payment to Lpath in January 2011. In addition, Pfizer agreed to share the cost of the planned Phase 1b and Phase 2a trials. Following completion of the two studies, Pfizer has the right to exercise its option for worldwide rights to iSONEP for an undisclosed option fee and, if Pfizer exercises its option, Lpath will be eligible to receive development, regulatory and commercial milestone payments that could total up to $497.5 million. In addition, Lpath will be entitled to receive tiered double-digit royalties based on sales of iSONEP. As part of the agreement, Lpath granted to Pfizer a time-limited right of first refusal for ASONEP, and Pfizer specified that a designated portion of the upfront payment be used to fund the development of ASONEP™.

In 2010, we recognized $1.4 million related to cost reimbursements and amortization of the upfront payment under the Pfizer Agreement.

In 2008, we entered into a License Agreement (the “Merck Agreement”) with Merck KGaA, (“Merck”) pursuant to which Merck agreed to collaborate, through its Merck-Serono division, with us to develop and commercialize ASONEP. Pursuant to the terms of the Merck Agreement, we licensed to Merck exclusive, worldwide rights to develop and commercialize ASONEP across all non-ocular indications. In March 2010, Merck proposed continuing the partnership via an extension of the Initial Development Period (as defined in the Merck Agreement). However the terms of that proposed extension were rejected by Lpath’s Board of Directors as not being in the best interests of Lpath or its stockholders. Consequently, Merck notified us of their decision to terminate the Merck Agreement. The termination was effective on April 24, 2010, and upon such termination Merck KGaA relinquished all rights to the ASONEP program. However, Merck may, under certain circumstances, have a right of first refusal, for a period of 12 months subsequent to the termination date, to Lpath’s then next most advanced oncology drug candidate. During the term of the Agreement, we received a total of $17.0 million from Merck, including an upfront license fee, milestone payments, and ongoing research and development support.

Under the Merck collaborative agreement, we recognized revenue related to the upfront licensing fee and initial development funding of $1.7 million, $8.7 million, and $2.7 million in 2008, 2009, and 2010, respectively. In 2009 and 2010, we recognized and received an additional $2.0 million each year related to the achievement of certain ASONEP development objectives.

From the company’s inception through December 31, 2010 we have also generated $6.1 million in revenue from research grants awarded primarily by the National Institutes of Health, and $0.2 million in royalty revenue from a licensing agreement with a company that produces novel research assays. We expect to continue to receive small amounts of revenue from research grants and our existing source of royalty revenue.

Research and Development Expenses

Our research and development expenses consist primarily of salaries and related employee benefits; research supplies and materials; external costs associated with our drug discovery research; and external drug development costs, including preclinical testing and regulatory expenses, manufacturing of material for clinical trials, and the costs of conducting clinical trials. Our historical research and development expenses are principally related to the drug discovery and clinical development efforts in creating and developing our lead product candidates, iSONEP, ASONEP and Lpathomab.

We charge all research and development expenses to operations as incurred. We expect our research and development expenses to increase significantly in the future as our product candidates move through pre-clinical testing and into clinical trials.

Due to the risks inherent in the drug discovery and clinical trial process and given the early stage of our product development programs, we are unable to estimate with any certainty the costs we will incur in the continued development of our product candidates for potential commercialization. Clinical development timelines, the probabilities of success, and development costs vary widely. While we are currently focused on advancing each of our product development programs, we anticipate that we will periodically make determinations as to the scientific and clinical success of each product candidate, as well as ongoing assessments as to each product candidate’s commercial potential. In addition, we cannot forecast with any degree of certainty which product candidates will be subject to future partnering, when such arrangements will be secured, if at all, and to what degree such arrangements would affect our development plans and capital requirements. As a result, we cannot be certain when and to what extent we will receive cash inflows from the commercialization of our product candidates.

General and Administrative Expenses

Our general and administrative expenses principally comprise salaries and benefits and professional fees related to our business development, intellectual property, finance, human resources, legal, and internal systems support functions. In addition, general and administrative expenses include insurance and an allocated portion of facilities and information technology costs.

We anticipate increases in general and administrative expenses as we add personnel, increase our business development activities, become subject to the full Sarbanes-Oxley compliance obligations applicable to larger publicly-held companies, and continue to develop and prepare for the commercialization of our product candidates.

Application of Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Research and Development

Our sponsored research and development costs related to future products and redesign of present products are expensed as incurred.

Patent Expenses

Legal and filing costs directly associated with obtaining patents are capitalized. Upon issuance of a patent, amortization is computed using the straight-line method over the estimated remaining useful life of the patent.

Revenue Recognition

Research and Development Revenue Under Collaborative Agreements. We have and may in the future enter into collaborations where we receive non-refundable upfront payments. Generally, these payments are made to secure licenses or option rights to our drug candidates. Non-refundable payments are recognized as revenue when we have a contractual right to receive such payment, the contract price is fixed or determinable, the collection of the resulting receivable is reasonably assured and we have no further performance obligations under the agreement. Multiple element arrangements, such as license and development arrangements are analyzed to determine whether the deliverables, which often include a license together with performance obligations such as research and development responsibilities and steering committee services, can be separated or whether they must be accounted for as a single unit of accounting. We recognize up-front license payments as revenue upon delivery of the license only if the license has stand-alone value and the fair value of the undelivered performance obligations, typically including research and/or steering committee services, can be determined. If the fair value of the undelivered performance obligations can be determined, such obligations would then be accounted for separately as performed. If the license is considered to either (i) not have stand-alone value or (ii) have stand-alone value but the fair value of any of the undelivered performance obligations cannot be determined, the arrangement would then be accounted for as a single unit of accounting and the license payments and payments for performance obligations are recognized as revenue over the estimated period of when the performance obligations are performed.

If we are involved in a steering committee as part of a multiple element arrangement that is accounted for as a single unit of accounting, we assess whether our involvement constitutes a performance obligation or a right to participate. Steering committee services that are determined to be performance obligations are combined with other research services or performance obligations required under an arrangement, if any, in determining the level of effort required in an arrangement and the period over which we expect to complete our aggregate performance obligations.

When we receive reimbursement for our research costs under collaborative agreements, such reimbursements are recognized as revenue as the underlying costs are incurred.

Whenever we determine that an arrangement should be accounted for as a single unit of accounting, we must determine the period over which our performance obligations will be performed and revenue will be recognized. Revenue will be recognized using either a relative performance or straight-line method. We recognize revenue using the relative performance method provided that we can reasonably estimate the level of effort required to complete our performance obligations under an arrangement and such performance obligations are provided on a best-efforts basis. Revenue recognized is limited to the lesser of the cumulative amount of payments received or the cumulative amount of revenue earned, as determined using the relative performance method, as of each reporting period.

If we cannot reasonably estimate the level of effort required to complete our performance obligations under an arrangement, the performance obligations are provided on a best-efforts basis and we cannot reasonably estimate when the performance obligation ceases or the remaining obligations become inconsequential and perfunctory, then the total payments under the arrangement, excluding royalties and payments contingent upon achievement of substantive milestones, would be recognized as revenue on a straight-line basis over the period we expect to complete our performance obligations. Revenue is limited to the lesser of the cumulative amount of payments received or the cumulative amount of revenue earned, as determined using the straight-line basis, as of the period ending date.

If we cannot reasonably estimate when our performance obligation either ceases or becomes inconsequential and perfunctory, then revenue is deferred until we can reasonably estimate when the performance obligation ceases or becomes inconsequential. Revenue is then recognized over the remaining estimated period of performance.

Significant management judgment is required in determining the level of effort required under a collaboration arrangement and the period over which we are expected to complete our performance obligations under an arrangement.

Collaboration agreements may also contain substantive milestone payments. Substantive milestone payments are considered to be performance bonuses that are recognized upon achievement of the milestone only if all of the following conditions are met:

- the milestone payments are non-refundable;
- achievement of the milestone involves a degree of risk and was not reasonably assured at the inception of the arrangement;
- substantive company effort is involved in achieving the milestone;
- the amount of the milestone payment is reasonable in relation to the effort expended or the risk associated with achievement of the milestone; and,
- a reasonable amount of time passes between the up-front license payment and the first milestone payment as well as between each subsequent milestone payment.

Determination as to whether a payment meets the aforementioned conditions involves management's judgment. If any of these conditions are not met, the resulting payment would not be considered a substantive milestone, and therefore the resulting payment would be considered part of the consideration for the single unit of accounting and would be recognized as revenue as such performance obligations are performed under either the relative performance or straight-line methods, as applicable, and in accordance with these policies as described above.

Grant Revenue. Our primary source of revenue to date has been research grants received from the National Institutes of Health. We recognize grant revenue as the related research expenses are incurred, up to contractual limits.

Royalty Revenue. We recognize royalty revenue from licensed products when earned in accordance with the terms of the license agreements. Net sales figures used for calculating royalties include deductions for costs of unsaleable returns, cash discounts, freight, postage and insurance.

Stock-Based Compensation

Issuances of common stock, stock options, warrants or other equity instruments to employees and non-employees as the consideration for goods or services we receive are accounted for based on the fair value of the equity instruments issued (unless the fair value of the consideration received can be more reliably measured). Generally, the fair value of any options, warrant or similar equity instruments issued have been estimated based on the Black-Scholes option pricing model.

Net Operating Losses and Tax Credit Carryforwards

At December 31, 2010, we had federal and California net operating loss ("NOL") carryforwards of approximately $38 million and $33 million, respectively. Under current law, the federal and California NOL carryforwards may be available to offset taxable income through 2030. In some years, such as 2009 and 2010, the California state government has suspended the use of existing California NOL carryforwards. In those years companies have not been permitted to utilize NOL carryforwards to reduce the amount of taxes payable to the state.

As of December 31, 2010, we also had federal and California research and development tax credit carryforwards of $751,000 and $618,000, respectively. These tax credits may be available to offset future taxes. The federal credits begin expiring in 2019, and the state credits do not expire.

A valuation allowance has been established to reserve the potential benefits of these carryforwards in our financial statements to reflect the uncertainty of future taxable income required to utilize available tax loss carryforwards and other deferred tax assets. Under the provisions of Section 382 of the Internal Revenue Code, substantial changes in our ownership may limit the amount of net operating loss carryforwards that we can utilize annually in the future to offset taxable income. If a change in our ownership is deemed to have occurred or occurs in the future, our ability to use our net operating loss and tax credit carryforwards in any fiscal year may be significantly limited.

Fair Value of Warrant Liability

We measure fair value in accordance with the applicable accounting standards in the FASB Codification. Fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, there exists a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 — unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access as of the measurement date.

- Level 2 — inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.
- Level 3 — unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

This hierarchy requires us to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

We determined the fair value of the warrants using a Black-Scholes model with consideration given to their “down-round” protection provisions that reduce the exercise price if we issue new warrants or equity at a price lower than the stated exercise price. The model considered amounts and timing of future possible equity and warrant issuances and historical volatility of our stock price.

Results of Operations

Years Ended December 31, 2010 and 2009

Grant and Royalty Revenue. Grant and royalty revenue for 2010 increased to $1.8 million from $1.2 million in 2009. The increase of $0.6 million is principally due to the revenue from two grants totaling $0.5 million received under the IRS Qualifying Therapeutic Discovery Project program in November 2010. In addition, our level of activity on studies funded by grants from the National Institutes of Health (“NIH”) increased slightly from 2009 to 2010.

Research and Development Revenue Under Collaborative Agreements. In 2010, we recognized $1.4 million in cost reimbursements and amortization of license option fees under the Pfizer Agreement. As described in Note 2 to the financial statements, the Merck Agreement was terminated in April 2010. We recognized $4.6 and $10.7 million in revenue under the Merck Agreement in 2010 and 2009, respectively. Revenue recognized in 2010 and 2009 pursuant to the Merck Agreement included $2.0 million each year related to the achievement of certain ASONEP development objectives.

Research and Development Expenses. Research and development expenses for 2010 totaled $7.8 million compared to $6.6 million for 2009, an increase of $1.2 million. Outside services, consulting, and lab supplies expenses increased by $1.5 million in 2010 due to expenses incurred to perform 13-week toxicology studies of iSONEP in two different species, to manufacture the drug supplies required for the planed iSONEP Phase 1b and Phase 2a clinical trials, and other tasks required to prepare for the initiation of Phase 2 clinical trials for iSONEP. Employee compensation and benefits decreased by $0.6 million in 2010 compared to 2009 due to reduced staffing. Stock-based compensation charges increased by $0.3 million due principally to 2010 restricted stock awards.

General and Administrative Expenses. General and administrative expenses were $4.5 million for the year ended December 31, 2010 compared to $3.5 million for 2009, an increase of $1.0 million. Consulting and legal costs increased by $0.5 million due to costs incurred in 2010 to negotiate the new collaboration agreement with Pfizer. Compensation expense increased by $0.3 million in 2010 due principally to year-end bonuses awarded for achievement of 2010 objectives. Stock compensation expense increased by $0.2 million in 2010. This increase is due principally to awards of common stock, restricted stock units, and warrants in 2010.

Change in Fair Value of Warrants. Various factors are considered in the Black-Scholes model we use to value outstanding warrants, including our current stock price, the remaining life of the warrants, the volatility of our stock price, and the risk free interest rate. Future changes in these factors will have a significant impact on the computed fair value of the warrant liability. The most significant factor in the valuation model is our stock price. Our stock has been thinly traded and relatively small transactions can impact our quoted stock price significantly. As a result, our stock price volatility factor is approximately 103%. As such, we expect future changes in the fair value of the warrants to continue to vary significantly from quarter to quarter. We caution that the $100,000 increase in fair value of the warrants, and corresponding charge to the results of operations, recognized during 2010 and 2009, and all such changes in the future, should not be given undue importance when considering our financial condition and our results of operations. We do not believe that these adjustments, which are required by current generally accepted accounting principles, reflect economic activities or financial obligations undertaken by us.

Liquidity and Capital Resources

Since our inception, our operations have been principally financed through the private placement of equity and debt securities. Through December 31, 2010, we had received net proceeds of approximately $41.1 million from the sale of equity securities and from the issuance of convertible promissory notes. Other significant sources of funding have been corporate partnerships with pharmaceutical companies and grants from the National Institutes of Health (NIH).

Through December 31, 2010, we had received $17.0 million from the Merck Agreement, and in January 2011, we received the initial $14.0 million due under the Pfizer Agreement.

Through December 31, 2010, we had received $6.1 million from grants awarded to us by the NIH. In July 2010, Lpath was awarded a $3.0 million grant by the National Eye Institute's ("NEI") BRDG-SPAN Program to support Phase II clinical development of Lpath's iSONEP in treating wet AMD and possibly other ocular disorders. The NEI's BRDG-SPAN Program was created to provide grants of up to $3 million to accelerate the transition from the development to commercialization of innovative technologies that improve human health, advance the mission of NIH, and create significant economic stimulus. The program also aims to foster partnerships among a variety of R&D collaborators working toward these aims. As of December 31, 2010, we had received funding of approximately $856,000 from this grant. In June 2009, we were awarded a $3.0 million grant by the Small Business Innovation Research (SBIR) Program sponsored by the National Cancer Institute (NCI). The funds will support the continued clinical development of Lpath's leading drug candidate, ASONEP. The award was made under provisions of SBIR's "bridge" award program, which provides grants of up to $1 million per year for up to three years to innovative small businesses for developing and commercializing novel technologies or products designed to prevent, diagnose, or treat cancer. In the first quarter of 2010, we completed a Phase 1 clinical trial in which ASONEP was tested as a treatment for cancer. As of December 31, 2010, we had received funding of approximately $1,000,000 from this grant.

During the year ended December 31, 2010, we used net cash of $3.6 million for operating activities compared to $1.1 million in the year ended December 31, 2009. The $2.5 million increase in net cash used in operating activities in 2010 was driven primarily by reduced funding from the Merck Agreement that was terminated in April 2010, combined with increases in operating expenses, as described above.

Net cash used in investing activities during 2010 was $469,000 compared to $570,000 in 2009. This decrease was due to a reduction of $108,000 in the amount invested in capital equipment. The most significant element of investing activities in both 2009 and 2010 was the amount we invested to support and strengthen our intellectual property position. Expenditures for patent prosecution and maintenance amounted to $467,000 in 2010, compared to $460,000 in 2009.

Net cash provided from financing activities during 2010 totaled approximately $4.7 million compared to $20,000 in 2009. The primary difference between 2009 and 2010 was due to the $4.7 million we received from the private placement of common stock and warrants in November 2010.

We have entered into various agreements with third parties to perform specialized drug discovery tasks, license proprietary technology, manufacture product candidates, conduct preclinical and clinical studies, and provide analytical services. Our payment obligations under these agreements depend upon the progress of our discovery and development programs. Therefore, we are unable to estimate with certainty the future costs we will incur under these agreements. In one such arrangement, we have entered into a collaboration agreement with a biomedical research company to utilize their proprietary processes to assist us in preparing our lead drug candidate for clinical trials. Under the terms of that collaboration agreement, we are obligated to make additional milestone payments and specified royalty payments upon the achievement of certain product-development events and commercialization objectives. Under the terms of a license agreement with another biomedical research company an annual license fee of approximately £300,000 (approximately $460,000 at December 31, 2010) may accrue when Lpath utilizes the licensed technology in the manufacture of drug substance to be used in clinical trials. That license agreement further provides that payment of this license fee will be deferred until Lpath's drug candidate utilizing that technology begins Phase 2 clinical trials. While it is not possible to accurately predict when, or if, the drug candidate will progress to the initiation of Phase 2 clinical trials, management believes that it is likely that payment of this fee will occur prior to December 2011. Accordingly, a liability for this amount has been accrued and the ultimate payment of this amount is included in accrued expenses on our balance sheet. Other deferred license fees, milestone payments and royalty payments under our various agreements are not included in the table above because we cannot, at this time, determine when, or if, the related milestones will be achieved or the events triggering the commencement of payment obligations will occur.

As they are currently planned, the cost of our ongoing drug discovery and development efforts, including general and administrative expenses, would require between $25 and $35 million from the beginning of 2011 through the end of 2012. As of December 30, 2010, we had an available cash balance of approximately $6.8 million. In December 2010 we entered into the Pfizer Agreement, under which Pfizer agreed to provide us with an upfront payment of $14 million in addition to sharing the cost of the planned Phase 1b and Phase 2a trials for iSONEP. Additional near-term sources of cash include $2 million remaining on the $3 million BRDG-SPAN grant from the National Eye Institute (part of the National Institutes of Health) to support iSONEP-related trials, and the three year, $3 million grant from NIH awarded in 2009 that still has two years and $2 million remaining to support ASONEP clinical trials. We believe our cash on hand as of December 31, 2010 plus the $14 million upfront payment made by Pfizer in January 2011 together with amounts to be received from the Pfizer collaboration agreement and NIH grants should be sufficient to fund our ongoing research and development activities, as currently planned, through 2012.

In addition, we may receive additional funding to support our operations beyond 2012 under the Pfizer Agreement if Pfizer elects to exercise its option to continue the clinical development of iSONEP. However, we cannot assure you that we will be successful in maintaining our commercial relationship with Pfizer, that Pfizer will exercise its option to commercialize iSONEP or that iSONEP will achieve the developmental, regulatory and commercial milestones that would entitle us to future payments under the Pfizer Agreement on a timely basis, or at all. As a result, we may be required to secure substantial additional capital to continue to fund our planned drug discovery and development projects beyond 2012.

Until we can generate significant cash from operations, we expect to continue to fund our operations with cash resources generated from a combination of NIH grants, license agreements, and the proceeds of offerings of our equity and debt securities. However, we may not be successful in obtaining cash from new or existing collaboration agreements or licenses, or in receiving milestone or royalty payments under those agreements. In addition, we cannot be sure that additional financing will be available when needed or that, if available, financing will be obtained on terms favorable to us or to our stockholders. Having insufficient funds may require us to delay, scale back, or eliminate some or all of our development programs, relinquish some or even all rights to product candidates at an earlier stage of development, or renegotiate less favorable terms than we would otherwise choose. Failure to obtain adequate financing also may adversely affect our ability to operate as a going concern. If we raise additional funds from the issuance of equity securities, substantial dilution to our existing stockholders would likely result. If we raise additional funds by incurring debt financing, the terms of the debt may involve significant cash payment obligations as well as covenants and specific financial ratios that may restrict our ability to operate our business.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The primary objective of our investment activities is to preserve our capital for the purpose of funding our operations, while at the same time maximizing the income we receive from our investments without materially increasing risk. To achieve these objectives, our investment policy allows us to maintain a portfolio of cash, cash equivalents, and short-term investments in a variety of securities, including commercial paper and money market funds. Our cash and investments at December 31, 2010 consisted exclusively of cash in bank accounts, certificates of deposit, and a money market mutual fund that is restricted to invest only in short-term U.S. Treasury securities. We currently do not hedge interest rate exposure. Because of the short-term maturities of our cash equivalents and short-term investments, we do not believe that an increase or decrease in market rates would have a material impact on the value of our portfolio.

ITEM 8. FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
and Stockholders of
LPATH, INC.

We have audited the accompanying consolidated balance sheets of Lpath, Inc. (the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended. The consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lpath, Inc. as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, effective the first day of its fiscal 2009, the Company adopted Statement of Financial Accounting Standards Board Accounting Standards Codification Topic 815, "Derivatives and Hedging."

/s/ Moss Adams LLP

San Diego, California
March 23, 2011

LPATH, INC.
Consolidated Balance Sheets

	December 31, 2010	December 31, 2009
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 6,803,506	$ 6,171,486
Accounts receivable	15,390,277	341,451
Prepaid expenses and other current assets	166,682	180,652
Total current assets	22,360,465	6,693,589
Equipment and leasehold improvements, net	111,403	238,753
Patents, net	1,331,612	901,026
Deposits and other assets	35,542	36,606
Total assets	**$ 23,839,022**	**$ 7,869,974**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 488,557	$ 253,252
Accrued compensation	637,883	169,992
Accrued expenses	1,630,280	745,853
Deferred contract revenue, current portion	6,665,000	659,573
Deferred rent, current portion	—	49,990
Leasehold improvement debt, current portion	—	15,116
Total current liabilities	9,421,720	1,893,776
Deferred contract revenue, long-term portion	7,210,000	—
Warrants	4,200,000	4,100,000
Total liabilities	20,831,720	5,993,776
Stockholders' Equity:		
Common stock - $.001 par value; 200,000,000 shares authorized; 60,338,029 and 53,027,308 issued and outstanding at December 31, 2010 and 2009, respectively	60,338	53,027
Additional paid-in capital	39,993,930	34,267,963
Accumulated deficit	(37,046,966)	(32,444,792)
Total stockholders' equity	3,007,302	1,876,198
Total liabilities and stockholders' equity	**$ 23,839,022**	**$ 7,869,974**

See accompanying notes to the consolidated financial statements.

LPATH, INC.
Consolidated Statements of Operations
Years Ended December 31,

	2010	2009
Revenues:		
Grant and royalty revenue	$ 1,803,046	$ 1,235,510
Research and development revenue under collaborative agreements	6,032,506	10,673,760
Total revenues	7,835,552	11,909,270
Expenses:		
Research and development	7,819,545	6,628,200
General and administrative	4,504,802	3,479,326
Total expenses	12,324,347	10,107,526
Income (loss) from operations	(4,488,795)	1,801,744
Other income, net	(13,379)	(18,734)
Change in fair value of warrants	(100,000)	2,200,000
Total other income (expense)	(113,379)	2,181,266
Net income (loss)	$ (4,602,174)	$ 3,983,010
Earnings (loss) per share		
Basic	$ (0.08)	$ 0.07
Diluted	$ (0.08)	$ 0.07
Weighted average shares outstanding used in the calculation		
Basic	55,765,935	54,177,677
Diluted	55,765,935	56,825,586

See accompanying notes to the consolidated financial statements.

Lpath, Inc.
Condensed Consolidated Statement of Changes in Stockholders' Equity
Years Ended December 31, 2010 and 2009

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance, January 1, 2009	52,657,911	$52,657	$43,144,945	$(39,627,802)	$ 3,569,800
Cumulative effect of change in accounting principle			(9,500,000)	3,200,000	(6,300,000)
Stock options exercised	310,372	311	35,501		35,812
Stock-based compensation	59,025	59	587,517		587,576
Net income				3,983,010	3,983,010
Balance, December 31, 2009	53,027,308	53,027	34,267,963	(32,444,792)	1,876,198
Common stock and warrants issued for cash, net of issuance costs	6,978,128	6,978	4,671,002		4,677,980
Stock options exercised	230,000	230	23,270		23,500
Stock-based compensation	102,593	103	1,031,695		1,031,798
Net loss				(4,602,174)	(4,602,174)
Balance, December 31, 2010	60,338,029	$60,338	$39,993,930	$(37,046,966)	$ 3,007,302

See accompanying notes to the consolidated financial statements.

LPATH, INC.
Consolidated Statements of Cash Flows
Years Ended December 31,

	2010	2009
Cash flows from operating activities:		
Net income (loss)	$ (4,602,174)	$ 3,983,010
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Stock-based compensation expense	1,031,798	587,576
Change in fair value of warrants	100,000	(2,200,000)
Depreciation and amortization	165,304	176,690
Deferred rent expense	(49,990)	(51,130)
Foreign currency exchange gain	(14,595)	47,970
Changes in operating assets and liabilities:		
Accounts receivable	(15,048,826)	314,770
Prepaid expenses and other current assets	13,970	24,211
Accounts payable and accrued expenses	1,602,218	(1,266,178)
Deferred contract revenue	13,215,427	(2,673,760)
Deposits and other assets	1,064	2,055
Net cash used in operating activities	(3,585,804)	(1,054,786)
Cash flows from investing activities:		
Equipment and leasehold improvement expenditures	(1,958)	(109,567)
Patent expenditures	(466,582)	(460,288)
Net cash used in investing activities	(468,540)	(569,855)
Cash flows from financing activities:		
Proceeds from sale of common stock and warrants, net	4,677,980	—
Proceeds from options and warrants exercised	23,500	35,812
Repayments of leasehold improvement debt	(15,116)	(15,278)
Net cash provided by financing activities	4,686,364	20,534
Net increase (decrease) in cash	632,020	(1,604,107)
Cash and cash equivalents at beginning of period	6,171,486	7,775,593
Cash and cash equivalents at end of period	$ 6,803,506	$ 6,171,486
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Income taxes	$ 1,600	$ 1,600
Supplemental Schedule of Non-cash Investing and Financing Activities:		
Change in fair value of warrant liability	$ 100,000	$(2,200,000)

See accompanying notes to the consolidated financial statements.

LPATH, INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

Note 1 – THE COMPANY AND A SUMMARY OF ITS SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

Lpath, Inc. ("Lpath," "we," or "company") is a biotechnology company focused on the discovery and development of lipidomic-based therapeutic antibodies, an emerging field of medical science that targets bioactive signaling lipids to treat a wide range of human diseases. We have two product candidates that are currently in clinical development, and one in pre-clinical evaluation.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The consolidated financial statements include the accounts of Lpath, Inc. and its wholly-owned subsidiary, Lpath Therapeutics Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. By their nature, estimates are subject to an inherent degree of uncertainty and, as such, actual results may differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash deposits, money market deposits, and certificates of deposit.

Concentration of Credit Risk

Financial instruments that potentially subject the company to a significant concentration of credit risk consist of cash and cash equivalents. The company maintains its cash balances with one major commercial bank. The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted in 2010, provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts at all depository institutions insured by the Federal Deposit Insurance Corporation ("FDIC"). That unlimited insurance coverage will terminate on December 31, 2012. Accounts at FDIC-insured institutions not covered by the Dodd-Frank legislation are insured by the FDIC up to $250,000.

The company invests its excess cash in money market mutual funds and in certificates of deposit of federally insured financial institutions. The company has established guidelines relative to diversification of its cash investments and their maturities that are intended to secure safety and liquidity. To date, the company has not experienced any impairment losses on its cash equivalents.

The Company has not experienced any losses on its deposits of cash and cash equivalents, short-term and long-term investments.

The company's accounts receivable are derived from entities located in the United States. The company performs ongoing credit evaluation of its debtors, does not require collateral, and maintains allowances for potential credit losses on customer accounts when deemed necessary. To date, there have been no such losses and the company has not recorded an allowance for doubtful accounts.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are recorded at cost. Equipment depreciation is computed using the straight-line method over the estimated useful asset lives, which range from three to five years. Leasehold improvements are amortized over the shorter of their estimated useful lives or the remainder of the lease term. Repairs and maintenance are charged to expense as incurred.

Patents

Legal and filing costs directly associated with obtaining patents are capitalized. Upon issuance of a patent, amortization is computed using the straight-line method over the estimated remaining useful life of the patent.

Long-Lived Assets

The company accounts for the impairment and disposition of long-lived assets for events or changes in circumstances which indicate that their carrying value may not be recoverable. The company recorded charges for impairments of patents totaling $23,567 and $11,973 in 2010 and 2009, respectively.

Deferred Rent

Rent expense is recorded on a straight-line basis over the term of the lease. The difference between rent expense and amounts paid under the lease agreement is recorded as deferred rent. Lease incentives, including tenant improvement allowances, are also recorded to deferred rent and amortized on a straight-line basis over the lease term.

Stock-Based Compensation Expense

Compensation expense is measured based on the fair value of the award at the grant date, including estimated forfeitures, and is adjusted to reflect actual forfeitures and the outcomes of certain conditions. Compensation issued to non-employees is periodically remeasured and income or expense is recognized during their vesting terms.

Revenue Recognition

Lpath has and may in the future enter into collaborations where we receive non-refundable up-front payments; generally. Generally, these payments secure licenses to Lpath drug candidates. Non-refundable payments are recognized as revenue when the company has a contractual right to receive such payment, the contract price is fixed or determinable, the collection of the resulting receivable is reasonably assured, and the company has no further performance obligations under the license agreement. Multiple element arrangements, such as license and development arrangements, are analyzed to determine whether the deliverables, which often include a license together with performance obligations such as research and development responsibilities and steering committee services, can be separated or whether they must be accounted for as a single unit of accounting. The company recognizes up-front license payments as revenue upon delivery of the license only if the license has stand-alone value and the fair value of the undelivered performance obligations, typically including research and/or steering committee services, can be determined. If the fair value of the undelivered performance obligations can be determined, such obligations would then be accounted for separately as performed. If the license is considered to either (i) not have stand-alone value or (ii) have stand-alone value but the fair value of any of the undelivered performance obligations cannot be determined, the arrangement would then be accounted for as a single unit of accounting, and the license payments and payments for performance obligations are recognized as revenue over the estimated period of when the performance obligations are performed.

If the company is involved in a steering committee as part of a multiple element arrangement that is accounted for as a single unit of accounting, the company assesses whether its involvement constitutes a performance obligation or a right to participate. Steering committee services that are determined to be performance obligations are combined with other research services or performance obligations required under an arrangement, if any, in determining the level of effort required in an arrangement and the period over which the company expects to complete its aggregate performance obligations.

When the company receives reimbursement for our research costs under collaborative agreements, such reimbursements are recognized as revenue as the underlying costs are incurred.

Whenever the company determines that an arrangement should be accounted for as a single unit of accounting, it must determine the period over which the performance obligations will be performed and revenue will be recognized. Revenue will be recognized using either a relative performance or straight-line method. The company recognizes revenue using the relative performance method provided that the company can reasonably estimate the level of effort required to complete its performance obligations under an arrangement and such performance obligations are provided on a best-efforts basis. Revenue recognized is limited to the lesser of the cumulative amount of payments received or the cumulative amount of revenue earned, as determined using the relative performance method, as of each reporting period.

If the company cannot reasonably estimate the level of effort required to complete its performance obligations under an arrangement, the performance obligations are provided on a best-efforts basis and the company can reasonably estimate when the performance obligation ceases or the remaining obligations become inconsequential and perfunctory, then the total payments under the arrangement, excluding royalties and payments contingent upon achievement of substantive milestones, would be recognized as revenue on a straight-line basis over the period the company expects to complete its performance obligations. Revenue is limited to the lesser of the cumulative amount of payments received or the cumulative amount of revenue earned, as determined using the straight-line basis, as of the period ending date.

If the company cannot reasonably estimate when its performance obligation either ceases or becomes inconsequential and perfunctory, then revenue is deferred until the company can reasonably estimate when the performance obligation ceases or becomes inconsequential. Revenue is then recognized over the remaining estimated period of performance.

Significant management judgment is required in determining the level of effort required under an arrangement and the period over which the company is expected to complete its performance obligations under an arrangement.

Collaboration agreements may also contain substantive milestone payments. Substantive milestone payments are considered to be performance bonuses that are recognized upon achievement of the milestone only if all of the following conditions are met:

- the milestone payments are non-refundable;
- achievement of the milestone involves a degree of risk and was not reasonably assured at the inception of the arrangement;
- substantive company effort is involved in achieving the milestone;
- the amount of the milestone payment is reasonable in relation to the effort expended or the risk associated with achievement of the milestone; and,
- a reasonable amount of time passes between the up-front license payment and the first milestone payment as well as between each subsequent milestone payment.

Determination as to whether a payment meets the aforementioned conditions involves management's judgment. If any of these conditions are not met, the resulting payment would not be considered a substantive milestone, and therefore the resulting payment would be considered part of the consideration for the single unit of accounting and would be recognized as revenue, as such performance obligations are performed under either the relative performance or straight-line methods, as applicable, and in accordance with these policies as described above.

Grant Revenue. Lpath's primary source of revenue to date has been research grants received from the National Institutes of Health. Lpath recognizes grant revenue as the related research expenses are incurred, up to contractual limits. Included under this caption are receipts in November 2010 from two grants totaling $489,000 under the IRS Qualifying Therapeutic Discovery Project program.

Royalty Revenue. Lpath recognizes royalty revenue from licensed products when earned in accordance with the terms of the license agreements. The licensee's net sales figures used for calculating royalties include deductions for costs of unsaleable returns, cash discounts, freight, postage and insurance.

Research and Development

Research and development costs are charged to expense when incurred.

Employee Benefit Plan

The company has a 401(k) defined contribution plan that provides benefits for most employees. An employee is eligible to participate in this plan after one month of service. The plan provides for full vesting of benefits over five years. Company contributions to the plan are made at the discretion of the Board of Directors and aggregated $54,786 and $62,803 in 2010 and 2009, respectively.

Income Taxes

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

A net deferred tax asset related primarily to federal and state net operating loss and research and development credit carryforwards has been fully reserved due to uncertainties regarding Lpath's ability to realize these tax benefits in future periods. Consequently, no income tax benefit has been recorded for the years ended December 31, 2010 and 2009.

Lpath periodically evaluates its tax positions to determine whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities. Lpath has not incurred any interest or penalties as of December 31, 2010 with respect to income tax matters. Lpath does not expect that there will be unrecognized tax benefits of a significant nature that will increase or decrease within 12 months of the reporting date.

Comprehensive Income (Loss)

Comprehensive loss is comprised of net loss and certain changes in equity that are excluded from net loss. At December 31, 2010 and 2009, Lpath had no reportable differences between net income (loss) and comprehensive income (loss) per share data.

Per Share Data

Basic net income (loss) per common share is computed by dividing net income (loss) for the period by the weighted-average number of common shares outstanding during the period. Diluted net income (loss) per share is computed by dividing the net income (loss) for the period by the weighted-average number of common and common dilutive equivalent shares, such as stock options, restricted stock units, restricted stock awards, warrants, and convertible securities, outstanding during the period.

Note 2 – RESEARCH AND DEVELOPMENT COLLABORATIVE AGREEMENT

In 2010, we entered into an agreement providing Pfizer Inc. with an exclusive option for a worldwide license to develop and commercialize iSONEP™, Lpath's lead monoclonal antibody product candidate that is being evaluated for the treatment of wet age-related macular degeneration ("wet AMD") and other ocular disorders. iSONEP is scheduled to begin a Phase 1b clinical trial in wet AMD patients with Pigment Epithelial Detachment ("PED"), a complication of wet AMD, in the first quarter of 2011 and a Phase 2a clinical trial in wet AMD patients in the second quarter of 2011.

Under the terms of the agreement, Pfizer will provide Lpath with an up-front option payment of $14 million in addition to sharing the cost of the planned Phase 1b and Phase 2a trials. Such upfront payment was received in January 2011. Following completion of the two studies, Pfizer has the right to exercise its option for worldwide rights to iSONEP for an undisclosed option fee and, if Pfizer exercises its option, Lpath will be eligible to receive development, regulatory and commercial milestone payments that could total up to $497.5 million; in addition, Lpath will be entitled to receive tiered double-digit royalties based on sales of iSONEP. As part of the agreement, Lpath has granted to Pfizer a time-limited right of first refusal for ASONEP™, Lpath's product candidate that is being evaluated for the treatment of cancer. Two Phase 2a trials are currently planned to further assess ASONEP's efficacy and safety in cancer patients.

In 2010, we recognized $1.4 million as cost reimbursements and amortization of option fees under the Pfizer agreement.

Work under the 2008 License Agreement with Merck concluded in April 2010. Merck paid Lpath research and development funding of $2,000,000 in 2010 and $6,000,000 in 2009, which we used to support development activities related to ASONEP, including our Phase 1 clinical trial. In addition Merck paid us $2,000,000 upon the achievement of certain ASONEP development objectives in March 2010 and August 2009. As of December 31, 2010, we had received a total of $17,000,000 from Merck under the terms of this arrangement.

In connection with the termination of the License Agreement dated October 28, 2008 by and between the company and Merck KGaA, the company has received payment from Merck KGaA in the first quarter of 2011 in the amount of $675,000 to discharge certain payment obligations that survived termination of the License Agreement.

Under the Merck collaborative agreement, we recognized revenue related to the up-front licensing fee and initial development funding of $2,659,573 and $8,673,760 in 2010 and 2009, respectively. In 2009 and 2010, we recognized and received an additional $2,000,000 in each year related to the achievement of certain ASONEP development objectives.

Note 3 – COMPOSITION OF CERTAIN FINANCIAL STATEMENT CAPTIONS

	December 31,	
	2010	2009
Equipment and leasehold improvements		
Office furniture and fixtures	$ 28,909	$ 28,908
Laboratory equipment	426,798	424,841
Computer equipment and software	139,090	139,090
Leasehold improvements	150,303	150,303
	745,100	743,142
Accumulated depreciation	(633,697)	(504,389)
Equipment, net	$ 111,403	$ 238,753
Patents		
Patents	$1,415,304	$ 972,289
Accumulated amortization	(83,692)	(71,263)
Patents, net	$1,331,612	$ 901,026

Note 5 – FAIR VALUE MEASUREMENTS

The company measures fair value in accordance with the applicable accounting standards in the FASB Codification. Fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, there exists a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 — unadjusted quoted prices in active markets for identical assets or liabilities that the company has the ability to access as of the measurement date.
- Level 2 — inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability, or indirectly observable through corroboration with observable market data.
- Level 3 — unobservable inputs for the asset or liability are only used when there is little, if any, market activity for the asset or liability at the measurement date.

This hierarchy requires the company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

Recurring Fair Value Estimates

The company's recurring fair value measurements at December 31, 2010 were as follows:

	Fair Value as of December 31, 2010	In Active Markets for Identical Assets (Level 1)	Significant other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Unrealized Losses during the Year Ended December 31, 2010
Liabilities:					
Warrants expiring April - June 2012	$ 3,200,000	$ —	$ —	$ 3,200,000	$ —
Warrants expiring August 2013	1,000,000	—	—	1,000,000	(100,000)
	$ 4,200,000	$ —	$ —	$ 4,200,000	$ (100,000)

The unrealized gains for the year ended December 31, 2010 are included on the consolidated income statement as change in fair value of warrants.

Recurring Level 3 Activity, Reconciliation, and Basis for Valuation

The table below provides a reconciliation of the beginning and ending balances for the liabilities measured at fair value using significant unobservable inputs (Level 3). The table reflects net gains and losses for all financial assets and liabilities categorized as Level 3 as of December 31, 2010.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3):

Liabilities:	
Warrant liability as of January 1, 2010	$4,100,000
Increase in fair value of warrants	100,000
Warrant liability as of December 31, 2010	$4,200,000

The company determined the fair value of the warrants using a Black-Scholes model with consideration given to their "down-round" protection provisions that reduce the exercise price if the company issues new warrants or equity at a price lower than the stated exercise price. The model considered amounts and timing of future possible equity and warrant issuances and historical volatility of the company's stock price.

Note 6 – RESEARCH AND LICENSE AGREEMENTS

In August 2006, Lpath and Lonza Biologics, PLC ("Lonza") entered into two agreements, a License Agreement and a Research Evaluation Agreement. Both agreements grant Lpath the use of certain proprietary technology to assist in the development of monoclonal antibodies. Under the terms of the License Agreement an annual license fee of approximately £300,000 (approximately $460,000 at December 31, 2010) may accrue when Lpath utilizes the Lonza technology in the manufacture of drug substance to be used in clinical trials. The License Agreement further provides that payment of this license fee will be deferred until Lpath's drug candidate utilizing that technology begins Phase 2 clinical trials. While it is not possible to accurately predict when, or if, the drug candidate will progress to the initiation of Phase 2 clinical trials, management believes that it is likely that payment of this fee will occur prior to December 2011. Under the terms of the Research Evaluation Agreement, a license fee is due annually. The company paid Lonza Biologics PLC annual license fees totaling approximately $55,000 and $61,000 during 2010 and 2009, respectively, related to the Research Evaluation Agreement.

In August 2006, Lpath and Laureate Pharma, Inc. ("Laureate Pharma") entered into a Development and Manufacturing Services Agreement for the development, manufacture and storage of Lpath's Sonepcizumab monoclonal antibody for use in clinical trials. The company paid Laureate Pharma approximately $937,000 and $527,000 during 2010 and 2009, respectively, related to this agreement.

In August 2005, Lpath entered into a collaboration agreement with AERES Biomedical ("AERES") to "humanize" the company's *Sphingomab* monoclonal antibody. Humanization under this agreement with AERES involves utilizing proprietary processes owned by AERES for the purpose of modifying Sphingomab antibodies originally contained in mice for potential human acceptance in a clinical trial. The humanized version of *Sphingomab* that was produced from the collaboration with AERES is called Sonepcizumab. No amounts were paid to AERES during 2010 and 2009. Lpath could owe certain additional contingent amounts when drug candidates based on Sonepcizumab pass through the levels of the FDA drug review and approval process. AERES will be entitled to a royalty, not to exceed 4%, on any revenues generated by the ultimate commercialization of any drug candidate based on Sonepcizumab.

Note 7 – OBLIGATIONS UNDER REGISTRATION RIGHTS AGREEMENTS

The company entered into two separate Registration Rights Agreements (collectively, the "2007 and 2008 Registration Rights Agreements") with the investors participating in private placements in 2007 and 2008, respectively. The company met its initial obligations under each of the 2007 and 2008 Registration Rights Agreements when Registration Statements the company filed to register with the Securities and Exchange Commission (the "SEC") the Class A common stock issued in the respective private placements, together with the Class A common stock to be issued upon exercise of the warrants (collectively, the "2007 and 2008 Registration Statements") were declared effective by the SEC in 2007 and 2008, respectively. The 2007 and 2008 Registration Rights Agreements also provide that if the respective Registration Statement ceases to remain continuously effective for more than 30 consecutive days, or more than an aggregate of 60 calendar days during any 12-month period, the company may be required to make cash payments, as partial liquidated damages, to each investor in the respective private placement in an amount equal to 1.25% of the aggregate amount invested by such investor for each 30-day period, or any portion of a 30-day period. The 2007 and 2008 Registration Rights Agreements also provide that the maximum aggregate liquidated damages payable by the company shall be 8.75% of the aggregate amount invested. The company's obligation to maintain the effectiveness of the 2007 and 2008 Registration Statements will continue until all of the shares issued in this private placement have been sold, or the date on which these shares may be sold pursuant to Rule 144(k).

The company entered into a Registration Rights Agreement (the "2010 Registration Rights Agreement") with the investors participating in a private placement in 2010. The company met its initial obligations under the 2010 Registration Rights Agreement when a Registration Statements the company filed to register with the Securities and Exchange Commission (the "SEC") the Class A common stock issued in the private placement, together with the Class A common stock to be issued upon exercise of the warrants (collectively, the "2010 Registration Statement") was declared effective by the SEC in 2010. The 2010 Registration Rights Agreement also provides that if the Registration Statement ceases to remain continuously effective for more than 30 consecutive days or more than an aggregate of 60 calendar days during any 12-month period, the company may be required to make cash payments, as partial liquidated damages, to each investor in the respective private placement in an amount equal to 1.00% of the aggregate amount invested by such investor for each 30-day period, or any portion of a 30-day period. The 2010 Registration Rights Agreement also provides that the maximum aggregate liquidated damages payable by the company shall be 6.00% of the aggregate amount invested. The company's obligation to maintain the effectiveness of the 2010 Registration Statement will continue until the earlier of (i) the date 120 days after none of the holders is an affiliate of the Company, (ii) the date on which all Registrable Securities covered by such Registration Statement have been sold, (iii) the date on which all Registrable Securities covered by such Registration Statement may be sold without volume restrictions pursuant to Rule 144(b)(1), or (iv) November 16, 2013.

Based on the company's experience since filing its first registration statement in 2006, the company believes that it is unlikely that it will be required to pay any liquidated damages under the provisions of the 2007 and 2008 Registration Rights Agreements or the 2010 Registration Rights Agreement, and therefore has not recorded a liability for that potential obligation.

Note 8 – STOCKHOLDERS' EQUITY

Common Stock

In November 2010, the company received gross proceeds of $4,678,000 from the sale of common stock and warrants through a private placement. Lpath issued 6,978,128 shares of Class A common stock at a price of $0.70 per share. Each investor also received warrants to purchase the number of shares of Class A common stock equal to 25% of the number of common shares purchased in this financing. This resulted in the issuance of warrants to purchase a total of 4,018,244 shares of Class A common stock in this transaction. The warrants are exercisable at a price of $1.00 per share and expire on November 16, 2012.

Stock issuance costs related to the private placement were paid in cash and warrants. Cash expenses for this transaction totaled $207,000, including placement agent fees totaling $135,000 and legal and other fees totaling $72,000. In addition, 138,904 warrants were issued to placement agents. These warrants carry an exercise price of $1.00 per share and expire on November 16, 2012.

Preferred Stock

Lpath is authorized to issue up to 15,000,000 shares of preferred stock, par value $0.001. As of December 31, 2010 and 2009, there were no preferred stock shares issued or outstanding.

Equity Incentive Plan

In November 2005, the company adopted the Lpath, Inc. 2005 Stock Option and Stock Purchase Plan, which permitted stock option grants to employees, outside consultants, and directors. In October 2007, Lpath's stockholders approved the amendment of this plan which was concurrently renamed the Lpath, Inc. Amended and Restated 2005 Equity Incentive Plan ("the Plan"). There are 10,390,000 shares of Class A common stock authorized for grant under the Plan. The Plan allows for grants of incentive stock options with exercise prices of at least 100% of the fair market value of Lpath's common stock, nonqualified options with exercise prices of at least 85% of the fair market value of the company's common stock, restricted stock, and restricted stock units. All stock options granted to date have a ten-year life and vest over zero to five years. Restricted stock units granted have a five-year life and vest over zero to four years, or upon the achievement of specified clinical trial milestones. As of December 31, 2010, a total of 3,275,082 shares of Class A common stock were available for future grant under the Plan.

The following table presents stock-based compensation as included in the company's consolidated statements of operations:

	2010	2009
Stock-based compensation expense by type of award:		
Stock options	$ 24,436	$228,394
Restricted stock units	1,007,362	359,182
Total stock-based compensation expense	$1,031,798	$587,576
Effect of stock-based compensation expense on income by line item:		
Research and development	$ 369,515	$ 97,439
General and administrative	662,283	490,137
Total stock-based compensation expense	$1,031,798	$587,576

Fair value is determined at the date of grant for employee options and restricted stock units, and at the date at which the grantee's performance is complete for non-employee options and restricted stock units. Compensation cost is recognized over the vesting period based on the fair value of the options and restricted stock units.

Because of the company's net operating losses for tax purposes, it did not realize any tax benefits for the tax deductions from share-based payment arrangements during the years ended December 31, 2010 and 2009.

Stock Options

No stock options were granted in 2010 or 2009.

As of December 31, 2010, there was $7,000 of total unrecognized compensation expense, net of estimated forfeitures, related to unvested options granted under the Plan. That expense is expected to be recognized over a weighted-average period of 0.3 years.

The company uses the Black-Scholes valuation model to estimate the fair value of stock options at the grant date. The Black-Scholes valuation model uses the option exercise price as well as estimates and assumptions related to the expected price volatility of the company's stock, the rate of return on risk-free investments, the expected period during which the options will be outstanding, and the expected dividend yield for the company's stock to estimate the fair value of a stock option on the grant date.

The weighted-average valuation assumptions were determined as follows:

- *Expected stock price volatility:* The estimated expected volatility is based on a weighted-average calculation of a peer group and the company's historical volatility.
- *Risk-free interest rate:* The company bases the risk-free interest rate on the interest rate payable on U.S. Treasury debt securities.
- *Expected term of options:* The expected term of options granted is derived using assumed exercise rates based on historical exercise patterns and represents the period of time that options granted are expected to be outstanding.
- *Expected annual dividends:* The estimate for annual dividends is zero because the company has not historically paid, and does not intend for the foreseeable future to pay, a dividend.

A summary of the stock option activity under the plan as of December 31, 2010 and 2009, and changes during the years then ended, is presented below:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2009	3,642,347	0.53		
Granted	—	—		
Exercised	(310,372)	0.12		
Expired	(160,671)	1.00		
Forfeited	(23,999)	0.89		
Outstanding at December 31, 2009	3,147,305	0.55		
Granted	—	—		
Exercised	(230,000)	0.10		
Expired	(54,470)	0.90		
Forfeited	(30,000)	0.90		
Outstanding at December 31, 2010	2,832,835	0.55	4.70	$1,079,077
Vested and exercisable at December 31, 2010	2,824,918	$ 0.57	4.71	$1,079,077

The aggregate intrinsic value in the table above represents the total intrinsic value which would have been received by the stock option holders had all option holders exercised their options as of that date. The aggregate intrinsic value is calculated as the difference between the fair market value of the company's common stock on December 31, 2010 of $0.89 and the exercise price of stock options, multiplied by the number of shares subject to such stock options.

At December 31, 2010, the company had 2,015,835 stock options outstanding with strike prices below the company's market price of $0.89 on that date, of which all were vested and exercisable. The total intrinsic value of options exercised during the years ended December 31, 2010 and 2009 was $162,600 and $250,000, respectively. Cash received from option exercises during the years ended December 31, 2010 and 2009 was $23,500 and $36,000, respectively. Upon stock option exercises the company issues new shares of common stock.

Restricted Stock Units

As of December 31, 2010, there was $651,000 of total unrecognized stock-based compensation expense related to unvested restricted stock units granted under the Equity Incentive Plan. The company expects to recognize that expense over a weighted-average period of 1.9 years.

The following table summarizes the restricted stock units activity of the company during 2010 and 2009:

	Total Restricted Stock Units	Weighted Average Grant-Date Fair Value
Outstanding January 1, 2009	2,387,425	$ 2.05
Granted	809,000	0.86
Shares issued	(59,025)	1.90
Forfeited	(926,024)	1.53
Outstanding December 31, 2009	2,211,376	1.23
Granted	524,556	0.80
Shares issued	(9,126)	1.21
Forfeited	(21,374)	1.71
Outstanding December 31, 2010	2,705,432	$ 1.15

Warrants

Lpath adopted EITF 07-5 effective January 1, 2009. The adoption of EITF 07-5's (codified in Financial Accounting Standards Board Accounting Standards Codification Topic 815, "Derivatives and Hedging.") requirements can affect the accounting for warrants that contain provisions that protect holders from a decline in the stock price (or "down-round" protection). For example, warrants with such provisions will no longer be recorded in equity. Down-round protection provisions reduce the exercise price of a warrant or convertible instrument if a company either issues equity shares for a price that is lower than the exercise price of those instruments, or issues new warrants or convertible instruments that have a lower exercise price. The company evaluated whether warrants to acquire stock of the company contain provisions that protect holders from declines in the stock price or otherwise could result in modification of the exercise price and/or shares to be issued under the respective warrant agreements based on a variable that is not an input to the fair value of a "fixed-for-fixed" option. The company determined that the following warrants contained such provisions, and therefore, pursuant to the applicable criteria, they were not indexed to the company's own stock:

Warrant Expiration Dates	Number of Shares	Exercise Price per Share
April – June 2012	8,310,440	$ 1.00
August 2013	2,037,277	$ 1.19

The company, beginning on January 1, 2009, recognizes these warrants as liabilities at their respective fair values on each reporting date. The cumulative effect of the change in accounting for these warrants of $3,200,000 was recognized as an adjustment to the opening balance of accumulated deficit at January 1, 2009. The cumulative effect adjustment was the difference between the amounts recognized in the consolidated balance sheet before initial adoption of ASC 815 and the amounts recognized in the consolidated balance sheet upon the initial application of ASC 815. The amounts recognized in the consolidated balance sheet as a result of the initial application of ASC 815 on January 1, 2009 were determined based on the amounts that would have been recognized if ASC 815 had been applied from the issuance date of the warrants.

The warrant liability reflected on Lpath's balance sheet is a consequence of current generally accepted accounting principles, arising from the implementation of ASC 815. There is no foreseeable circumstance under which Lpath can be required to make any cash payment to settle the warrant liability now carried on the balance sheet.

The following table summarizes Lpath warrants outstanding as of December 31, 2010:

Warrant Expiration Date	Number of Shares	Exercise Price per Share
February 12, 2012	50,000	$ 2.00
April 6, 2012	6,710,674	$ 1.00
June 13, 2012	1,599,766	$ 1.00
October 31, 2012	531,394	$ 0.16
November 16, 2012	3,627,968	$ 1.00
February 28, 2013	50,000	$ 2.00
August 12, 2013	1,941,078	$ 1.19
August 15, 2013	82,929	$ 1.19
August 18, 2013	13,270	$ 1.19
June 24, 2014	40,000	$ 0.80
December 24, 2015	40,000	$ 0.80
Total:	14,687,079	
Weighted average:		$ 1.01

The terms of all outstanding warrants permit the company, upon exercise of the warrants, to settle the contract by the delivery of unregistered shares. During 2010 and 2009, 5,554,631 and 390,000 warrants expired, respectively.

Note 9 – INCOME TAXES

As of December 31, 2010, Lpath had federal and California net operating loss ("NOL") carryforwards of approximately $38 million and $33 million, respectively, that will expire beginning in 2018 and continue expiring through 2030. Portions of these NOL carryforwards may be used to offset future taxable income, if any. In some years, such as 2009 and 2010, the California state government has suspended the use of existing California NOL carryforwards. In those years companies have not been permitted to utilize NOL carryforwards to reduce the amount of taxes payable to the state.

As of December 31, 2010, Lpath also has federal and California research and development tax credit carryforwards of $855,000 and $618,000, respectively, available to offset future taxes. The federal credits begin expiring in 2019, and the state credits do not expire.

Under the provisions of Section 382 of the Internal Revenue Code, substantial changes in Lpath's ownership limit the amount of net operating loss carryforwards and tax credit carryforwards that can be utilized annually in the future to offset taxable income. A valuation allowance has been established to reserve the potential benefits of these carryforwards in Lpath's consolidated financial statements to reflect the uncertainty of future taxable income required to utilize available tax loss carryforwards and other deferred tax assets.

Significant components of the company's deferred tax assets and liabilities are as follows:

	2010	2009
Deferred tax assets:		
Federal and state net operating loss carryforwards	$ 15,901,000	$ 13,804,000
Research and development credit carryforwards	1,474,000	1,369,000
Stock-based compensation	2,490,000	2,082,000
Deferred contract revenue	340,000	672,000
Other, net	22,000	13,000
	20,227,000	17,940,000
Deferred tax liabilities:		
State taxes	(1,469,000)	(1,331,000)
Patent costs	(570,000)	(386,000)
	(2,039,000)	(1,717,000)
Total deferred tax assets	18,188,000	16,223,000
Valuation allowance	(18,188,000)	(16,223,000)
Net deferred tax assets	$ —	$ —

Realization of the deferred tax assets is dependent upon the generation of future taxable income, the amount and timing of which are uncertain. Accordingly, the net deferred tax assets have been fully offset by a valuation allowance.

As a result of the company's significant operating loss carryforwards and the corresponding valuation allowance, no income tax provision/benefit has been recorded as of December 31, 2010 and 2009. The provision for income taxes using the statutory federal income tax rate of 34% as compared to the company's effective tax rate is summarized as follows:

	2010	2009
Federal tax benefit (expense) at statutory rate	$ 1,565,000	$(1,354,000)
State tax benefit (expense), net	267,000	(108,000)
Change in fair value of warrants	(34,000)	748,000
R&D credits	166,000	(535,000)
Employee stock-based compensation	31,000	(20,000)
Other permanent differences	(30,000)	(583,000)
Increase (decrease) in valuation allowance	(1,965,000)	1,852,000
Provision for income taxes	$ —	$ —

Note 10 – EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share were calculated as follows:

	Years Ended December 31,	
	2010	2009
Net income (loss)	$ (4,602,174)	$ 3,983,010
Weighted-average number of shares used in basic earnings (loss) per share	55,765,935	54,177,677
Additional dilutive shares from the assumed exercise of outstanding:		
Options	—	1,846,884
Restricted stock units	—	225,840
Warrants	—	575,185
Weighted-average number of shares used in diluted earnings (loss) per share	55,765,935	56,825,586

Anti-dilutive common stock equivalents were excluded from the calculation of diluted income (loss) per share as follows:

	Years Ended December 31,	
	2010	2009
Stock options	1,353,563	1,332,881
Warrants	14,687,079	15,343,549
Restricted stock units	85,041	225,840
Total	16,125,683	16,902,270

Note 11 – RELATED-PARTY TRANSACTIONS

Lpath subleases a portion of its facility to Western States Investment Corporation (“WSIC”), owned by two individuals who are among Lpath’s largest stockholders. The terms of the sublease, in general, are the same as the terms of the company’s direct lease. In addition, certain Lpath employees provide investment oversight, accounting, and other administrative services to WSIC. Certain WSIC employees also provide services to Lpath. Lpath and WSIC reimburse each other for costs incurred on behalf of the other entity. Lpath’s rent expense totaled $180,000 and $173,000 for the years ended December 31, 2010 and 2009, respectively. Lpath’s sublease income amounted to $18,000 and $17,000 for the years ended December 31, 2010 and 2009, respectively.

During 2010, Lpath invoiced WSIC $92,160 for investment oversight expenses and $18,567 for lease and facility related expenses. During 2009, Lpath invoiced WSIC $115,200 for investment oversight expenses, and $18,478 for lease and facility related expenses. During 2010 and 2009, WSIC billed Lpath $41,877 and $33,262, respectively, for administrative expenses.

As of December 31, 2010, WSIC owed Lpath $27,486 for facility expenses and investment oversight services and Lpath owed WSIC $22,278 for services provided to Lpath. As of December 31, 2009, there were no amounts due to or from WSIC.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(1) Evaluation of Disclosure Controls and Procedures. Our chief executive officer and chief financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Annual Report on Form 10-K, have concluded that, based on such evaluation, our disclosure controls and procedures were effective as of the end of such period.

(2) Management's Annual Report on Internal Control over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting (as defined in Rule 13a-15(f) and Rule 15d-15(f) of the Securities Exchange Act of 1934, as amended) is a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Our management, under the supervision of our chief executive officer and chief financial officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2010. In making this assessment, we used the criteria set forth in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, our management has concluded that, as of December 31, 2010, our internal control over financial reporting was effective based on those criteria.

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Our report was not subject to attestation by our independent registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

(3) Changes in Internal Control over Financial Reporting. During the quarter ended December 31, 2010, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

(4) Inherent Limitations on Effectiveness of Controls. Our management, including our chief executive officer and our chief financial officer, do not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item relating to our directors and our corporate governance is incorporated herein by reference to our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A of the Exchange Act for our 2011 annual meeting of stockholders. The information required by this item relating to our executive officers is included in Item 1, "Executive Officers of Lpath."

Code of Ethics

We have adopted a written code of ethics that applies to our directors and all of our employees, including our executive officers. The full text of our Code of Ethics can be found on our website at www.Lpath.com. Any substantive amendment or waiver of the Code of Ethics may be made only by the board of directors upon a recommendation of the Audit Committee, and will be disclosed on our website within four business days following the date of the amendment or waiver as well as via any other means then required by applicable law.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to our definitive proxy statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2011 annual meeting of stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated by reference to our definitive proxy statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2011 annual meeting of stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference to our definitive proxy statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2011 annual meeting of stockholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference to our definitive proxy statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2011 annual meeting of stockholders.

ITEM 15. EXHIBITS

(a) The following documents are filed as part of this report:

(1) The following financial statements of Lpath, Inc. are included in Item 8:

Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets
Consolidated Statements of Operations
Consolidated Statements of Changes in Stockholders' Equity
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements

(2) All financial statement schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or other notes thereto.

(3) See the Exhibits under Item 15(b) below for all Exhibits being filed or incorporated by reference herein.

(b) Exhibits:

The following exhibit index shows those exhibits filed with this report and those incorporated herein by reference:

2.1	Agreement and Plan of Reorganization, by and between Neighborhood Connections, Inc., Neighborhood Connections Acquisition Corporation, and Lpath Therapeutics Inc. dated July 15, 2005 (filed as an exhibit to the Current Report on Form 8-K filed with the SEC on December 6, 2005 and incorporated herein by reference).
2.2	Acquisition Agreement and Plan of Merger, dated as of March 19, 2004, between Neighborhood Connections, Inc. and JCG, Inc. (filed as Exhibit 2.1 to the Current Report on Form 8-K filed on March 22, 2004 and incorporated herein by reference).
3.1	Amendment to Articles of Incorporation filed December 1, 2005 (filed as an exhibit to the Current Report on Form 8-K filed with the SEC on December 6, 2005 and incorporated herein by reference).
3.2	Articles of Incorporation filed on September 18, 2002 (filed as Exhibit 3.1 to Amendment No. 1 to the Annual Report on Form 10-KSB/A for the year ended December 31, 2003 (the "2003 Amended 10-KSB") (filed on March 25, 2004 and incorporated herein by reference).
3.3	Amendment to Articles of Incorporation filed on December 27, 2002 (filed as Exhibit 3.3 to the Current Report on Form 8-K/A filed on January 9, 2006 and incorporated herein by reference).
3.4	Amended and Restated By-laws (filed as Exhibit 3.4 to the Quarterly Report on Form 10-QSB filed on November 13, 2006 and incorporated herein by reference).
3.5	Amended and Restated Bylaws, as amended on April 3, 2007 (conformed) (filed as Exhibit 3.5 to the Registration Statement on Form SB-2, SEC File No. 144199 (the "June 2007 SB-2") and incorporated herein by reference).
3.6	Amendment to Articles of Incorporation filed on June 8, 2007 (filed as Exhibit 3.6 to the June 2007 SB-2 and incorporated herein by reference).
4.1	Form of Warrant issued to purchasers of Convertible Secured Promissory Notes as amended by the Omnibus Amendment to Convertible Secured Promissory Notes and Warrants dated November 30, 2005 (filed as an exhibit to the Current Report on Form 8-K filed with the SEC on December 6, 2005 and incorporated herein by reference).
4.2	Form of Warrant issued pursuant to the Common Stock and Warrant Purchase Agreement dated March 28, 2006 (filed as Exhibit 4.7 to the registration statement on Form SB-2 filed on March 30, 2006, SEC File No. 333-132850, and incorporated herein by reference).
4.3	Form of Warrant issued pursuant to the Securities Purchase Agreement dated April 6, 2007 (April 2007 Warrants) (filed as Exhibit 4.7 to the June 2007 SB-2 and incorporated herein by reference).
4.4	Form of Warrant issued pursuant to the Securities Purchase Agreement dated June 13, 2007 (June 2007 Warrants) (filed as Exhibit 4.8 to the June 2007 SB-2 and incorporated herein by reference).
4.5	Form of Warrant issued pursuant to the Securities Purchase Agreement dated August 12, 2008 (August 2008 Warrants) (filed as Exhibit 4.10 to the registration statement on Form S-1 filed on September 11, 2008, SEC File No. 333-153423 and incorporated herein by reference).

4.6	Form of Warrant issued pursuant to the Securities Purchase Agreement, dated November 16, 2010, by and between Lpath, Inc. and each purchaser identified therein (filed as an exhibit to the Current Report on Form 8-K filed with the SEC on November 18, 2010 and incorporated herein by reference).
10.1	Lease Agreement dated August 12, 2005 between Lpath Therapeutics Inc. and Pointe Camino Windell, LLC (filed as an exhibit to the Current Report on Form 8-K filed with the SEC on December 6, 2005 and incorporated herein by reference).
10.2	Research Agreement dated January 28, 2004 between Medlyte, Inc. and San Diego State University, together with Amendments No. 1 and No. 2 (filed as an exhibit to the Current Report on Form 8-K filed with the SEC on December 6, 2005 and incorporated herein by reference).
10.3	Assignment Agreement dated June 9, 2005 between Lpath Therapeutics Inc. and LPL Technologies, Inc. (filed as an exhibit to the Current Report on Form 8-K filed with the SEC on December 6, 2005 and incorporated herein by reference).
10.4	Research Collaboration Agreement dated August 2, 2005 between Lpath Therapeutics Inc. and AERES Biomedical Limited (filed as Exhibit 10.4 to the Current Report on Form 8-K/A filed on January 9, 2006 and incorporated herein by reference) (portions of this exhibit have been omitted pursuant to a request for confidential treatment).
10.5	Lpath, Inc. Amended and Restated 2005 Equity Incentive Plan (filed as Appendix A to the company's Schedule 14-A Proxy Statement filed on August 28, 2007 and incorporated herein by reference).+
10.6	Assignment and Assumption Agreement dated December 1, 2005 by and between Lpath, Inc. and Lpath Therapeutics, Inc. (filed as an exhibit to the Annual Report on Form 10-KSB for the year ended December 31, 2005 filed with the SEC on March 16, 2006 and incorporated herein by reference).
10.7	Form of Employment Agreement between Lpath, Inc. and Scott R. Pancoast dated as of January 1, 2006 (filed as an exhibit to the Current Report on Form 8-K filed with the SEC on March 29, 2006 and incorporated herein by reference).+
10.8	Form of Employment Agreement between Lpath, Inc. and Gary Atkinson dated as of February 6, 2006 (filed as an exhibit to the Current Report on Form 8-K filed with the SEC on March 29, 2006 and incorporated herein by reference).+
10.9	Form of Consultant Agreement between Lpath, Inc. and Roger Sabbadini dated as of February 1, 2006 (filed as an exhibit to the Current Report on Form 8-K filed with the SEC on March 29, 2006 and incorporated herein by reference).+
10.10	Development and Manufacturing Services Agreement dated August 16, 2006 between Lpath Inc. and Laureate Pharma, Inc. (filed as Exhibit 10.13 to the Quarterly Report on Form 10-QSB for the quarter ended September 30, 2006 filed on November 13, 2006 and incorporated herein by reference) (portions of this exhibit have been omitted pursuant to a request for confidential treatment).
10.11	Securities Purchase Agreement, dated as of April 6, 2007, by and among Lpath, Inc. and each investor identified therein (filed as Exhibit 10.14 to the June 2007 SB-2 and incorporated herein by reference).
10.12	Registration Rights Agreement, dated as of April 6, 2007, by and among Lpath, Inc. and each investor identified therein (filed as Exhibit 10.15 to the June 2007 SB-2 and incorporated herein by reference).
10.13	License Agreement dated August 8, 2006 between Lonza Biologics PLC and Lpath, Inc. (filed as an exhibit to the Quarterly Report on Form 10-QSB for the quarterly period ended September 30, 2007 filed with the SEC on November 13, 2007 and incorporated herein by reference)(portions of this exhibit have been omitted pursuant to a request for confidential treatment).
10.14	Securities Purchase Agreement, dated August 12, 2008, by and among Lpath, Inc. and each of the investors identified therein (filed as an exhibit to the Annual Report on Form 10-K for the year ended December 31, 2008 filed with the SEC on March 25, 2009 and incorporated herein by reference) (filed as Exhibit 10.17 to the 2008 S-1 and incorporated herein by reference).
10.15	Registration Rights Agreement, dated August 12, 2008, by and among Lpath, Inc. and each of the investors identified therein (filed as Exhibit 10.18 to the 2008 S-1 and incorporated herein by reference).
10.16	License Agreement, dated as of October 28, 2008, by and between Lpath, Inc. and Merck KgaA (filed as an exhibit to the Annual Report on Form 10-K for the year ended December 31, 2008 filed with the SEC on March 25, 2009 and incorporated herein by reference) (portions of this exhibit have been omitted pursuant to a request for confidential treatment).

10.17	Securities Purchase Agreement, dated November 16, 2010, by and between Lpath, Inc. and each purchaser identified therein (filed as an exhibit to the Current Report on Form 8-K filed with the SEC on November 18, 2010 and incorporated herein by reference).
10.18	Registration Rights Agreement, dated November 16, 2010, by and between Lpath, Inc. and each purchaser identified therein (filed as an exhibit to the Current Report on Form 8-K filed with the SEC on November 18, 2010 and incorporated herein by reference).
10.19	Option, License and Development Agreement, dated as of December 16, 2010, by and between Lpath, Inc. and Pfizer Inc. (portions of this exhibit have been omitted pursuant to a request for confidential treatment).
21.1	List of Subsidiaries of Registrant (filed as an exhibit to the Annual Report on Form 10-KSB for the year ended December 31, 2005 filed with the SEC on March 16, 2006 and incorporated herein by reference).
23.1	Consent of Moss Adams LLP (attached herewith).
31.1	Section 302 Certification by Chief Executive Officer of Lpath, Inc.
31.2	Section 302 Certification by Chief Financial Officer of Lpath, Inc.
32.1	Section 906 Certification by Chief Executive Officer and Chief Financial Officer of Lpath, Inc.

+ Management contract or compensation plan or arrangement

(c) Financial Statement Schedules

All financial statement schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or other notes hereto.

SIGNATURES

In accordance with the requirements of Section 13 on 15(k) of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf on March 23, 2011 by the undersigned thereto.

LPATH, INC.

/s/ Scott R. Pancoast
Scott R. Pancoast, President and Chief Executive Officer

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 23, 2011.

Signature	Title	Date
/s/ Scott R. Pancoast Scott R. Pancoast	President, Chief Executive Officer, and Director (Principal Executive Officer)	March 23, 2011
/s/ Gary J. G. Atkinson Gary J. G. Atkinson	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 23, 2011
/s/ Charles A. Mathews Charles A. Mathews	Director	March 23, 2011
/s/ Donald R. Swortwood Donald R. Swortwood	Director	March 23, 2011
/s/ Jeffrey Ferrell Jeffrey Ferrell	Director	March 23, 2011
/s/ Daniel Petree Daniel Petree	Director	March 23, 2011

Exhibit 10.19

OPTION,

LICENSE AND DEVELOPMENT AGREEMENT

by and between

PFIZER INC.

and

LPATH, INC.

*** Certain confidential portions of this Exhibit were omitted by means of blackout of the text (the “Mark”). This Exhibit has been filed separately with the Secretary of the Commission without the Mark pursuant to the Company’s Application Requesting Confidential Treatment under Rule 24b-2 under the 1934 Act.

OPTION, LICENSE AND DEVELOPMENT AGREEMENT

Option, License and Development License Agreement (this "Agreement") dated as of December 16, 2010 between Lpath, Inc., a Nevada corporation with offices located at 6335 Ferris Square, Suite A, San Diego, CA 92121 ("Lpath"), and Pfizer Inc., a Delaware corporation with offices located at 235 East 42nd Street, New York, New York, 10017, U.S.A. ("Pfizer").

WHEREAS, Lpath owns or otherwise Controls (as defined below) certain patents, patent applications, technology, know-how and scientific and technical information relating to the humanized antibody known as Sonepcizumab (as defined below);

WHEREAS, Pfizer has extensive experience and expertise in the development and commercialization of pharmaceutical products, and desires to acquire an exclusive option for an exclusive license in the Field in the Territory (as defined below) to such patents, patent applications, technology, know how and scientific and technical information; and

WHEREAS, Lpath desires to grant such option for a license to Pfizer;

NOW, THEREFORE, in consideration of the mutual covenants and agreements provided herein, Lpath and Pfizer hereby agree as follows:

Section 1 DEFINITIONS.

For purposes of this Agreement, the following definitions shall be applicable:

1.1 "Affiliate" means any entity directly or indirectly controlled by, controlling, or under common control with, a Party to this Agreement, but only for so long as such control shall continue. For purposes of this definition, "control" (including, with correlative meanings, "controlled by", "controlling" and "under common control with") means (a) possession, direct or indirect, of the power to direct or cause direction of the management or policies of an entity (whether through ownership of securities or other ownership interests, by contract or otherwise), or (b) beneficial ownership of at least 50% of the voting securities or other ownership interest (whether directly or pursuant to any option, warrant or other similar arrangement) or other comparable equity interests of an entity.

1.2 "Alliance Manager" shall have the meaning assigned to it in Section 4.2.

1.3 "Antibody" means any immunoglobulin that binds to a specific target antigen, including any murine, chimeric, humanized or human forms thereof. "Antibody" also includes, any fragments, subunits, derivatives or multimeric forms thereof, any fusion protein derived from the foregoing or multispecific forms thereof, and any other native, genetically engineered protein or protein scaffold derived from the foregoing, in each case that bind to the same target molecule as the Antibody from which it is derived.

1.4 "Back of the Eye Disease" means any disease that affects the structures of the eye posterior to the lens, including the vitreous humor, the retina including the macula, fovea, and retinal pigment epithelium, the choroid and choriocapillaris, the optic disc or the optic nerve.

1.5 "Business Day" means a day other than a Saturday, Sunday, or bank or other public holiday in New York, New York.

1.6 “Change of Control” means that any of the following has occurred:

(a) any Person or group becomes the beneficial owner, directly or indirectly, of fifty percent (50%) or more of the outstanding Voting Stock or voting power over Voting Stock of (i) Lpath or (ii) any one or more Persons which are direct or indirect parent holding companies of Lpath or Affiliates controlling Lpath (Lpath, together with the Persons described in clause (ii), each hereinafter referred to, individually, as a “Lpath Group Company” and, collectively, as the “Lpath Group Companies”); provided, however, that (A) if such Person or group already is the beneficial owner, directly or indirectly, of fifty percent (50%) or more of such outstanding Voting Stock or voting power, then the acquisition of additional such Voting Stock or voting power shall not be a “Change of Control,” and (B) “Change of Control” shall not include any bona fide equity financings of Lpath by financial investors (i.e., where a majority of the amount invested is from investors that are not pharmaceutical companies); or

(b) any Lpath Group Company enters into an agreement with any Person or group providing for the sale or disposition of all or substantially all of the assets of the Lpath Group Companies, on a consolidated basis; or

(c) any Lpath Group Company enters into an agreement with any Person providing for the matters described in subsection (a) or (b) above;

For purposes of this definition of “Change of Control” only: (A) references to any Lpath Group Company shall be deemed to include all successors in any merger, consolidation, reorganization or similar transaction (or series of related transactions) preceding any transaction (or series of related transactions) described above; (B) “beneficial ownership” (and other correlative terms) means beneficial ownership as defined in Rule 13d-3 under the United States Securities and Exchange Act of 1934, as amended; it being understood and agreed that “beneficial ownership” shall also include any securities which any Person or any of such Person’s Affiliates has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise; (C) “group” means group as defined in the Securities Exchange Act of 1934, as amended and the rules of the Securities and Exchange Commission thereunder as in effect on the date hereof; and (D) “control” (including, with correlative meanings, “controlled by”, “controlling” and “under common control with”) of an entity means possession, direct or indirect, of (i) the power to direct or cause direction of the management and policies of such entity (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise), or (ii) at least fifty percent (50%) of the voting securities (whether directly or pursuant to any option, warrant or other similar arrangement) or other comparable equity interests of such entity.

1.7 “Combination Product” means any Licensed Product, in all dosage strengths, which contains both Sonepcizumab and at least one other therapeutically active ingredient that is either (a) physically mixed with Sonepcizumab to produce a single product for commercial distribution; or (b) packaged together with any Licensed Product in a single package or unit that is sold for a single price in commercial distribution. For purposes of this definition of “Combination Product” only, a “therapeutically active ingredient” is any ingredient that when combined with Sonepcizumab or a Licensed Product as described in subclauses (a) and (b) above would require human clinical studies, other than the human clinical studies required for Regulatory Approval of the original Licensed Product, in order for such Combination Product to be commercialized.

1.8 "Commercially Reasonable Efforts" means, with respect to the efforts to be expended by a Party with respect to any objective, those reasonable, good faith efforts to accomplish such objective as such Party would normally use to accomplish a similar objective under similar circumstances. With respect to any efforts relating to the development, Regulatory Approval or commercialization of a Licensed Product by a Party, generally or with respect to any particular country in the Territory, a Party will be deemed to have exercised Commercially Reasonable Efforts if such Party has exercised those efforts normally used by such Party, in the relevant country, with respect to a compound, product or product candidate, as applicable (a) of similar modality Controlled by such Party, or (b) (i) to which such Party has similar rights, (ii) which is of similar market potential in such country, and (iii) which is at a similar stage in its development or product life cycle, as the Licensed Product, in each case, taking into account all Relevant Factors in effect at the time such efforts are to be expended. Further, to the extent that the performance of a Party's obligations hereunder is adversely affected by the other Party's failure to perform its obligations hereunder, the impact of such performance failure will be taken into account in determining whether such Party has used its Commercially Reasonable Efforts to perform any such affected obligations.

1.9 "Control" or "Controlled" means, with respect to any intellectual property right, any right that a Party or an Affiliate of a Party owns or has a license to and has the ability to grant a license or sublicense in or to such right without violating the terms of any agreement or other arrangement with any Third Party.

1.10 "Designated Indication" means each and any of the following indications: (i) wet age-related macular degeneration (excluding pigment epithelial detachment) ("Wet AMD"), (ii) diabetic retinopathy, (iii) dry age-related macular degeneration, (iv) diabetic macular edema, and (v) glaucoma, as defined below:

(a) "Wet AMD" means all forms of choroidal neovascularization associated with age-related macular degeneration (ARMD), including minimally and predominantly classic or occult lesions. Wet AMD does not include ***.

(b) "Diabetic retinopathy" or "DR" means non-proliferative diabetic retinopathy (NPDR) or Proliferative diabetic retinopathy (PDR). DR excludes patients who ***.

(c) "Dry AMD" means all stages of ARMD not associated with choroidal neovascularization, including macular drusen, macular pigmentary changes and geographic atrophy, without concomitant choroidal neovascularization.

(d) "Diabetic Macular Edema" means the thickening of the macula with or without visual impairment due to complications of diabetic eye disease associated with diabetic retinopathy.

(e) "Glaucoma" means primary open angle glaucoma, chronic open angle glaucoma, normal tension glaucoma and ocular hypertension, but excludes ***.

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1.11 "Development Plan" means the written plan and budget for the clinical development of the Licensed Product in the Field in the Territory during the Option Period. The initial Development Plan is attached hereto as Schedule 1.11 and the Development Plan may be modified as set forth in Section 4.1(b).

1.12 "EMA" means the European Medicines Agency of the European Union and any successor agency thereto.

1.13 "Execution Date" means the date that this Agreement has been fully-executed by Lpath and Pfizer.

1.14 "Existing Lpath Agreements" shall have the meaning set forth in Section 8.8.

1.15 "Event Milestone Payments" means the amounts set forth in Section 6.1(a) opposite the respective Event Milestones.

1.16 "Expansion Rights" shall have the meaning set forth in Section 3.4.

1.17 "FDA" means the United States Food and Drug Administration or any successor agency thereto.

1.18 "FDCA" means the U.S. Federal Food, Drug and Cosmetic Act, as amended, and the regulations promulgated thereunder.

1.19 "Field" All therapeutic uses in the field of ophthalmology, subject to expansion as set forth in Section 3.4.

1.20 "Field-Related Licensing Revenue" means cash up-front payments, milestone payments, royalties and other payments paid to Lpath attributable to Lpath's granting or conveyance of rights to develop and/or commercialize Licensed Products in the Field, excluding (i) amounts attributable to products other than Licensed Products, (ii) amounts attributable to Licensed Products outside the Field, (iii) bona fide research and development funding payable to Lpath, (iv) bona fide amounts to reimburse Lpath for, or required to be expended by Lpath for, payments to Third Parties and other costs incurred by Lpath in connection with the research, development or commercialization of Licensed Products, (v) payments for equity of Lpath (but including premium on equity), (vi) bona fide payments for the supply of goods (including Licensed Products), (vii) reimbursements of patent costs, and similar bona fide payments.

1.21 "Generic Market Share" means, with respect to a particular Licensed Product, a fraction (expressed as a percentage), the numerator of which shall be the aggregate total unit sales of all applicable Generic Products in a country in the Territory, and the denominator of which shall be the aggregate total unit sales of all such Generic Products and all relevant Licensed Products in such country, based on data provided by IMS International, or, if such data is not available from IMS International, such other reliable data source as reasonably determined by Pfizer and reasonably agreed to by Lpath. If IMS International data (or such other data source) is not sufficient to determine the percentage market share for each country in the European Union, the average percent market share of the Major EU Countries for which data is available will be deemed to be the percent market share for those countries in the European Union for which the data is not available.

1.22 “Generic Product” means, with respect to any Licensed Product for which Regulatory Approval has been granted, any pharmaceutical product that (i) is sold by a Third Party that is not a licensee or sublicensee of Pfizer or its Affiliates, or any of their licensees or sublicensees under a Regulatory Approval for an indication in the Field granted by a Regulatory Authority to such Third Party, and (ii) *** (x) for purposes of the United States, is approved in reliance on the prior approval of a Licensed Product, as determined by the FDA, or (y) for purposes of a country outside the United States, is approved in reliance on the prior approval of a Licensed Product as determined by the applicable Regulatory Authority, in either case through an abbreviated regulatory process that does not require the submission of full safety and efficacy data by reason of reference (other than by permission or licensee or sublicensee of Pfizer or its Affiliates, or any of their licensees or sublicensees) to regulatory filings with respect to the such Licensed Product. A product that is approved in a country primarily based upon the prior regulatory approval of such product in another country (the “Prior Country”) will qualify as a Generic Product for purposes of this Agreement with respect to the applicable country if at the time of such approval such product qualifies as a Generic Product under this Agreement with respect to the Prior Country.

1.23 “Governmental Authority” means any court, agency, department, authority or other instrumentality of any national, state, county, city or other political subdivision.

1.24 “HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

1.25 “IND” means an Investigational New Drug Application submitted under the FDCA; or an analogous application or filing with any analogous agency or Regulatory Authority outside of the United States under any analogous foreign Law for the purposes of obtaining permission to conduct human clinical studies.

1.26 “Indemnified Party” shall have the meaning assigned to it in Section 14.3.

1.27 “Indemnifying Party” shall have the meaning assigned to it in Section 14.3.

1.28 “JDC” shall have the meaning assigned to it in Section 4.1(a).

1.29 “JDC Meeting” shall have meaning assigned to it in Section 4.1(g).

1.30 “Launch” means the first shipment of a Licensed Product in commercial quantities for commercial sale by Pfizer, its Affiliates or its sublicensees to a Third Party in a country in the Territory after receipt by Pfizer of the first Regulatory Approval (and, in any country in which Price Approval is necessary or relevant for a majority of the population to obtain access to pharmaceutical products, Price Approval) for such Licensed Product in or for such country.

1.31 “Laws” means all laws, statutes, rules, regulations, orders, judgments and/or ordinances of any Governmental Authority.

1.32 “License” shall have the meaning assigned to it in Section 3.2(a).

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1.33 "License Effective Date" means the Option Exercise Date, or, if a filing is required under the HSR Act with respect to the exercise of the Option, the later of (i) the date upon which the applicable waiting period under the HSR Act shall have expired or been terminated with respect to this Agreement and (ii) the date on which any government investigations opened by means of a second request or otherwise shall have been closed.

1.34 "Licensed Product" means any pharmaceutical product containing Sonepcizumab in all dosage strengths, forms and formulations, alone or in combination with other products.

1.35 "Losses" shall have the meaning assigned to it in Section 14.2.

1.36 "Lpath Confidential Information" means all information about any element of Lpath Technology, as well as any other information regarding the business and operations of Lpath, that is or has been disclosed (whether orally or in writing) by Lpath to Pfizer or its Affiliates to the extent that such information is not (i) as of the date of disclosure to Pfizer, known to Pfizer or its Affiliates other than under an obligation of confidentiality; or (ii) disclosed in published literature, or otherwise generally known to the public through no breach by Pfizer of this Agreement; or (iii) obtained by Pfizer or its Affiliates from a Third Party free from any obligation of confidentiality; or (iv) independently developed by Pfizer or its Affiliates without use of or reference to the Lpath Confidential Information

1.37 "Lpath Patent Rights" means Primary Lpath Patent Rights and Secondary Lpath Patent Rights.

(a) "Primary Lpath Patent Rights" means all patents and patent applications, whether domestic or foreign, including all continuations, continuations-in-part, divisions, provisionals and renewals, and letters of patent granted with respect to any of the foregoing, patents of addition, supplementary protection certificates, registration or confirmation patents and all reissues, re-examination and extensions thereof, owned or otherwise Controlled by Lpath as of the Execution Date or at any time during the Term that relate to any Licensed Product in the Field or the research, development, manufacture, use or sale thereof, and are listed in Exhibit A, and any patents that may issue from, or claim priority to or through, the applications listed on Exhibit A. ***.

(b) "Secondary Lpath Patent Rights" means all patents and patent applications, whether domestic or foreign, including all continuations, continuations-in-part, divisions, provisionals and renewals, and letters of patent granted with respect to any of the foregoing, patents of addition, supplementary protection certificates, registration or confirmation patents and all reissues, re-examination and extensions thereof, owned or otherwise Controlled by Lpath as of the Execution Date or at any time during the Term that relate to any Licensed Product in the Field or the research, development, manufacture, use or sale thereof and are listed in Exhibit A-2, and any patents that may issue from, or claim priority to or through, the applications listed on Exhibit A-2. ***.

1.38 "Lpath Technology" means any Technology owned or otherwise Controlled by Lpath as of the Execution Date or at any time during the Term. In the event that Lpath undergoes a Change of Control, then: (a) Lpath Technology shall continue to include all

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Technology Controlled by Lpath immediately prior to such Change of Control, (b) Lpath Technology shall not include or be deemed to include any Technology, or intellectual property rights therein or thereto, owned or Controlled by the entity acquiring Lpath (the "Acquirer") or any Affiliate of Acquirer prior to such Change of Control, or thereafter developed or made by Acquirer or its Affiliates independently and without reference to any of Lpath' s non-public know-how or information related to Sonepcizumab or of Lpath's program related to Licensed Products and/or continuing activities related to Licensed Products, if any, in such program after such Change of Control.

1.39 "Major EU Countries" means the ***.

1.40 "Major Market Countries" means the ***.

1.41 "NDA" means a Biologics License Application or New Drug Application filed with the FDA with respect to a pharmaceutical product or an analogous application or filing with any Regulatory Authority outside of the United States (including any supra-national agency such as the European Union) for the purpose of obtaining approval to market and sell a pharmaceutical product in such jurisdiction.

1.42 "Net Sales" means

(a) with respect to a Licensed Product that is not a Combination Product, the gross amount invoiced from sales by Pfizer and its Affiliates and sublicensees of such Licensed Product to Third Parties in the Territory, less in each case (i) bad debts specifically written off on the books of Pfizer (or its Affiliate or sublicensee), such deduction for bad debt not to exceed ***% of Net Sales in any given quarter, and provided that amounts written off as bad debt that are subsequently collected or recovered are included in Net Sales when received, (ii) sales returns and allowances actually paid, granted or accrued, including trade, quantity and cash discounts, and (iii) any other adjustments actually paid, granted or accrued and reflected on the books of Pfizer (or its Affiliate or sublicensee, as applicable), including those granted on account of price adjustments, billing errors, rejected goods, damaged or defective goods, recalls, returns, rebates, chargeback rebates, reimbursements or similar payments granted or given to wholesalers or other distributors, buying groups, health care insurance carriers, chain pharmacies, mass merchandisers, staff model HMO's, pharmacy benefit managers or other institutions (in all cases where such reimbursements or payments are consistent with Pfizer's net payment schedule for its own products and other licensed products it may sell from time to time), adjustments arising from consumer discount programs or other similar programs, customs or excise duties, sales tax, consumption tax, value added tax, and other taxes (except income taxes) or duties relating to sales, any payment by Pfizer in respect of sales of Licensed Products to the United States government, or any state government or any foreign government, or to any other Governmental Authority, or with respect to any government-subsidized program or managed care organization, in each case to the extent allocable to sales of Licensed Products in accordance with generally accepted accounting principles, and (iv) freight and insurance (to the extent that Pfizer, its Affiliates or its sublicensees bear the cost of freight and insurance for the Licensed Product); and

(b) with respect to a Licensed Product that is a Combination Product, if the Licensed Product and the other therapeutically active ingredients are separately sold by Pfizer,

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the portion of Net Sales of the Combination Product attributable to Sonepcizumab contained in the Combination Product shall equal ***, in each case in the relevant country in which sales were made, during the same royalty reporting period and in similar volumes; and

(c) with respect to a Licensed Product that is a Combination Product, if the Licensed Product is sold by Pfizer and the other therapeutically active ingredients is not sold by Pfizer, the portion of Net Sales of the Combination Product attributable to Sonepcizumab contained in the Combination Product shall equal ***, in each case in the relevant country in which sales were made, during the same royalty reporting period and in similar volumes. "***" or "***" means the ***; and the Parties agree that the applicable *** shall, if available, be used for calculations described in this Section 1.42(c).

(d) If the fraction described in the preceding sentence cannot be determined because the applicable Licensed Products and/or other products are not separately sold, then *** within such Combination Product, and (X) if ***, and (Y) if the *** for purposes of determining the apportionment of Net Sales of such Combination Product.

Sales between or among Pfizer, its Affiliates or sublicensees shall be excluded from the computation of Net Sales; provided that subsequent resale to a Third Party (which resale is not a sale between or among Pfizer, its Affiliates or sublicensees) shall be included in the computation of Net Sales. Net Sales shall be determined from books and records maintained in accordance with United States generally accepted accounting principles, as consistently applied by Pfizer (and its Affiliates and sublicensees, as applicable) with respect to sales of the Licensed Product and other products. For the avoidance of doubt, amounts described in items (i) through (iv) of section 1.42(a) above that are paid or reimbursed to Pfizer (or its Affiliate or sublicense) separately from the gross amount invoiced from sales by Pfizer and its Affiliates and sublicensees of such Licensed Product to Third Parties shall not be deducted in calculating Net Sales.

1.43 "Option" shall have the meaning assigned to it in Section 3.1 of this Agreement.

1.44 "Option Exercise Date" means the date on which Pfizer notifies Lpath that it wishes to exercise the Option pursuant to Section 3.1.

1.45 "Option Period" shall have the meaning assigned to it in Section 3.1.

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1.46 "Option Trigger Date" means the date of delivery to Pfizer of interim unmasked safety and efficacy reports (including relevant data regarding, and such analysis as Lpath has conducted regarding, ***) relating to both the Phase Ib study of Sonepcizumab in pigment epithelial detachment that is planned as of the Execution Date and that is referred to by Lpath as the PEDIGREE Study (the "Phase Ib Study") and the Phase IIa study of Sonepcizumab in wet age-related macular degeneration that is planned as of the Execution Date and that is referred to by Lpath as the NEXUS Study (the "Phase IIa Study"), such reports to contain the information described in Schedule 1.46.

1.47 "Overage" shall have the meaning set forth in Section 5.2.

1.48 "Party" means Pfizer, Lpath, or an Affiliate of Pfizer or Lpath.

1.49 "Person" means an individual, corporation, partnership, company, joint venture, unincorporated organization, limited liability company or partnership, sole proprietorship, association, bank, trust company or trust, whether or not legal entities, or any Governmental Authority.

1.50 "Pfizer Confidential Information" means all information relating to Licensed Products, as well as any other information regarding the business and operations of Pfizer, that is or has been disclosed (whether orally or in writing) by Pfizer to Lpath or its Affiliates to the extent that such information is not (i) as of the date of disclosure known to Lpath or its Affiliates other than under an obligation of confidentiality; or (ii) disclosed in published literature, or otherwise generally known to the public through no breach by Lpath; of this Agreement or (iii) obtained by Lpath or its Affiliates from a Third Party free from any obligation of confidentiality; or (iv) independently developed by Lpath or its Affiliates without use of or reference to the Pfizer Confidential Information.

1.51 "Pfizer Quarter" means each of the four (4) successive thirteen (13) week periods (i) with respect to the United States, commencing on January 1 of any calendar year, and (ii) with respect to any country in the Territory other than the United States, commencing on December 1 of any calendar year.

1.52 "Pfizer Year" means the twelve (12) month period (i) with respect to the United States, commencing on January 1 of any calendar year, and (ii) with respect to any country in the Territory other than the United States, commencing on December 1 of any calendar year.

1.53 "Phase Ib Study" shall have the meaning set forth in Section 1.46.

1.54 "Phase IIa Study" shall have the meaning set forth in Section 1.46.

1.55 "Phase IIb Clinical Study" means a clinical study, other than the Phase IIa Study and other than any Phase III Clinical Study, that is intended to test the effectiveness of a Licensed Product for a specific indication in patients with the disease or condition under study and to establish the dosing regimen for use in a Phase III Clinical Study of such Licensed Product for a specific indication.

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1.56 “Phase III Clinical Study” means a pivotal safety and efficacy clinical study intended to meet the requirements for a Regulatory Approval for a human pharmaceutical product.

1.57 “Price Approval” means, in any country where a Governmental Authority authorizes reimbursement for, or approves or determines pricing for, pharmaceutical products, receipt (or, if required to make such authorization, approval or determination effective, publication) of such reimbursement authorization or pricing approval or determination (as the case may be).

1.58 “Regulatory Approval” means any and all approvals, with respect to any jurisdiction, or authorizations (other than Price Approvals) of a Regulatory Authority, that are necessary for the commercial manufacture, distribution, use, marketing or sale of a pharmaceutical product in such jurisdiction.

1.59 “Regulatory Authority” means, in respect of a particular country or jurisdiction, the Governmental Authority having responsibility for granting Regulatory Approvals in such country or jurisdiction.

1.60 “Relevant Factors” means all relevant factors that may affect the development, Regulatory Approval or commercialization of a Licensed Product, including (as applicable): ***.

1.61 “Royalty Term” means, on a country-by-country and Licensed Product-by-Licensed Product basis, the period commencing upon the date of the first Launch of the first Licensed Product in the Field in a given country and ending upon the ***of such Licensed Product in the Field in such country.

1.62 “Sales Milestone Payments” means the amounts set forth in Section 6.2.

1.63 “Shared Costs” shall have the meaning set forth in Section 5.2.

1.64 “Sonepcizumab” means the humanized Antibody that is known as “sonepcizumab” and is currently designated by Lpath as “LT1009,” as further described in Schedule 1.64. “Sonepcizumab” also includes with any ***, in each case that retains at least *** % of the ***, as set forth in Schedule 1.64.

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1.65 "Technology" means all scientific and technical information, data and know-how to the extent they relate to any Licensed Product in the Field, or the research, development, manufacture, use or sale thereof, including any intellectual property rights embodying any of the foregoing, but excluding any Lpath Patent Rights.

1.66 "Term" means the period of time commencing on the Execution Date and ending on the earlier of (i) the last day of the Option Period if Pfizer does not exercise the Option and (ii) if Pfizer does exercise the Option, the earlier of (x) the last to expire Royalty Term and (y) the effective date of termination of this Agreement pursuant to Section 13.2.

1.67 "Termination Repayment Cap Amount" means (A) if this Agreement is terminated after completion of the first Phase IIb Clinical Study for any Licensed Product in the Field but prior to completion of the first Phase III Clinical Study for any Licensed Product in the Field, $ ***), or (B) if the Agreement is terminated after completion of the first Phase III Clinical Study for any Licensed Product in the Field, $***). For the avoidance of doubt, if the circumstances described above with respect to more than one Termination Repayment Cap Amount are satisfied, ***. For clarity, if this Agreement is terminated before completion of the first Phase IIb Clinical Study for any Licensed Products in the Field, ***.

1.68 "Territory" means the entire world.

1.69 "Third Party" means any Person other than Pfizer, Lpath, or any of their respective Affiliates.

1.70 "Third Party Claim" shall have the meaning assigned to it in Section 14.3.

1.71 "Trademarks" means any trademarks used or intended to be used in connection with a Licensed Product and any accompanying logos, taglines, slogans, trade dress, domain names or other indicia of origin.

1.72 "Transition Plan" shall have the meaning assigned to it in Section 5.1.

1.73 "Valid Claim" means any issued and unexpired claim within the Primary Lpath Patent Rights that has not been rejected, revoked or held unenforceable or invalid by a final, nonappealable decision of a court or other Governmental Authority of competent jurisdiction or unappealed within the time allowable for appeal, and that has not been explicitly disclaimed, or admitted by Lpath to be invalid or unenforceable through reissue, disclaimer or otherwise.

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1.74 "Voting Stock" means securities of any class or series of a corporation, association or other entity, the holders of which are ordinarily, in the absence of contingencies, entitled to vote generally in matters put before the shareholders or members of such corporation, association or other entity.

1.75 Construction. Except where expressly stated otherwise in this Agreement, the following rules of interpretation apply to this Agreement: (i) "include", "includes" and "including" are not limiting and each means include, includes and including, without limitation; (ii) definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms; (iii) references to an agreement, statute or instrument mean such agreement, statute or instrument as from time to time amended, modified or supplemented; (iv) references to a Person are also to its permitted successors and assigns; (v) references to an "Article", "Section", "Exhibit" or "Schedule" refer to an Article or Section of, or any Exhibit or Schedule to, this Agreement unless otherwise indicated; (vi) the word "will" shall be construed to have the same meaning and effect as the word "shall"; and (vii) the word "any" shall mean "any and all" unless otherwise indicated by context.

Section 2 HSR.

Promptly following the Option Exercise Date, Pfizer shall notify Lpath whether Pfizer intends to make a filing under the HSR Act, and, if Pfizer decides to make such a filing, then Pfizer (or its Affiliate) and Lpath (or its Affiliate) shall use Commercially Reasonable Efforts to take (i) all actions necessary to make the filing required under the HSR Act and (ii) reply at the earliest practicable date to any requests for information received from the United States Federal Trade Commission ("FTC") or Antitrust Division of the United States Department of Justice (" DoJ") pursuant to the HSR Act. The Parties shall, to the extent reasonably practicable, consult with one another prior to making any filings, responses to inquiries, or other contacts with the FTC or DoJ concerning the transactions contemplated hereby. Pfizer shall be responsible for the fee due to the FTC in respect of such filing. Lpath will pay its own expenses with respect to the original filing. If the FTC makes a second request for information, ***.

Section 3 OPTION AND LICENSES.

3.1 Option.

For a period beginning on the Execution Date and ending on the earlier of (i) the *** day after the Option Trigger Date and (ii) the Option Exercise Date (such period, the "Option Period"), Pfizer shall have an exclusive option (the " Option"), to be exercised at Pfizer's sole discretion, to acquire the License. Pfizer shall notify Lpath whether or not it wishes to exercise the Option no later than the last day of the Option Period. During the Option Period Lpath shall not (itself or through its advisors or agents), and shall cause its Affiliates not to, engage in, solicit, initiate, encourage, seek, entertain or enter into any agreement with any Third Party relating to the license or acquisition by any Third Party of any interest or right (including, without limitation, any ownership interest or license right, or option therefor) in or to the Lpath Patent Rights or Lpath Technology, in whole or in part, for use in the research, development, manufacture or commercialization of Licensed Products in the Field in the Territory; provided, however, that the foregoing shall not be construed to prevent Lpath from entering into such

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agreements (i) with contract manufacturers for manufacture of Licensed Products, or with contract research organizations or trial sites with respect to clinical trials of Licensed Products, or (ii) with any Third Party with respect to a transaction whereby such Third Party would acquire all or substantially all of Lpath's business or assets with respect to Licensed Products. For the avoidance of doubt, nothing in this Section 3.1 shall be construed to preclude, or to require the consent of Pfizer for, an Lpath Change of Control.

After the Option Trigger Date, Pfizer shall have the right from time to time to request additional efficacy and safety data from both the Phase Ib Study and the Phase IIa Study that was generated during the Option Period, and Lpath shall provide such information *** after such request. Pfizer shall make requests for such data within *** of time after the Option Trigger Date such that Lpath shall have *** to respond to such request and Pfizer shall have *** to review such additional data before ***; provided, however, that if any new safety or efficacy data first becomes available during the last *** days of the Option Exercise Period and such data is materially different from other safety and efficacy data previously provided to Pfizer, the Option Exercise Period shall be extended for a reasonable period not to exceed *** days in order to allow Pfizer a reasonable opportunity to evaluate such data and make an informed decision with respect to the exercise of the Option in light of such data.

Lpath acknowledges that ***.

3.2 Product Licenses.

(a) Exclusive License. Subject to the terms of this Agreement, effective as of the License Effective Date, Lpath hereby grants to Pfizer, and Pfizer hereby accepts, an exclusive license (the "License") (even as to Lpath and its Affiliates), including the right to sublicense, under the Primary Lpath Patent Rights and Lpath Technology to make, have made, use, sell, offer for sale, supply, cause to be supplied, and import Licensed Products in the Field in the Territory. Pfizer will not develop or seek to register a Licensed Product outside of the Field.

(b) Non-Exclusive License. Subject to the terms of this Agreement, effective as of the License Effective Date, Lpath hereby grants to Pfizer, and Pfizer hereby accepts, a non-exclusive, royalty-free license, including the right to sublicense, under the Secondary Lpath Patent Rights to make, have made, use, sell, offer for sale, supply, cause to be supplied, and import Licensed Products in the Field in the Territory. For the avoidance of doubt, with respect to the Secondary Lpath Patent Rights within the *** and the ***, the license set forth in this Section 3.2(b) does not include any license to make, have made, use, sell, offer for sale, supply, cause to be supplied, and import antibodies (or fragments, subunits or derivatives of antibodies) that are not within the definition of Licensed Product.

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3.3 Non-Exclusive Licenses. Without limiting any of the licenses granted in Section 3.2:

(a) Effective as of the Execution Date, Lpath grants to Pfizer a non-exclusive, irrevocable (except upon termination of this Agreement for Pfizer's breach), royalty-free, perpetual license in the Territory, with the right to sublicense only to Affiliates, to make and use for all research purposes (but not to sell or offer for sale) the Lpath Technology disclosed during the Term to Pfizer by Lpath or its Affiliates, in each case to the extent Controlled by Lpath; provided, however that (i) this research license does not include (A) any license under the Lpath Technology related to methods and techniques for generating or producing Antibodies that are intended to bind to a biologically active lipid, or (B) until such time, if any, as the license to Pfizer under Section 3.2 is expanded to include uses outside the Field, any license to develop Licensed Products for any use outside the Field; and

(b) Effective as of the Execution Date, Pfizer grants to Lpath a non-exclusive, irrevocable (except upon termination of this Agreement for Lpath's breach), royalty-free, perpetual license in the Territory, with the right to sublicense only to Affiliates, to make and use for all research purposes (but not to sell or offer for sale) any Pfizer technology or scientific know-how disclosed during the Term to Lpath by Pfizer or its Affiliates, in each case to the extent Controlled by Pfizer.

3.4 Expansion of the Field. For so long as Pfizer retains the rights described in this Section 3.4, Lpath shall keep Pfizer reasonably apprised of the progress of any clinical trials for the Licensed Product in any indication outside the Field, including, but not limited to, the study to be conducted by *** . Lpath will use Commercially Reasonable Efforts to conduct a *** study during the ROFR Term (the *** and the *** referred to as the "***"). Lpath currently anticipates that it will have final data available for the *** by mid to late ***. Pfizer's rights to negotiate to expand the Field described in clause (a), (b) and (c) below are referred to collectively as the "Expansion Rights." Pfizer shall have the following rights with respect to expanding the Field to include other indications, including oncology indications, as follows:

(a) First Right of Negotiation. As of the Execution Date, Lpath desires and intends to seek to enter into a license, collaboration or similar agreement under which Lpath would grant to a Third Party rights to develop or commercialize Licensed Products in any indication outside the Field. If, within *** days after the Execution Date, Pfizer notifies Lpath that Pfizer wishes to negotiate to expand the Agreement to include one or more indications outside the Field, Pfizer shall have an exclusive right to negotiate with Lpath, during the *** day period after Pfizer so notifies Lpath, to expand the Agreement to include such other indication on mutually agreeable terms, and if Lpath and Pfizer do not enter into a definitive agreement for such expansion within the such time period, then Lpath shall thereafter be free to develop or commercialize Licensed Products outside the Field on its own or with any Third Party, subject to clause (b) below.

(b) Right of First Refusal. If during the ROFR Term (defined below), Lpath negotiates a final non-binding term sheet, letter of intent or other agreement with a Third Party for the licensing, co-development, co-marketing or other similar agreement for some or all of the rights relating to Sonepcizumab outside of the Field (each a "Third Party LOI"), Lpath will notify Pfizer and provide a copy of such Third Party LOI to Pfizer within five days after

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completing negotiations of the Third Party LOI. The Third Party LOI will contain the following material elements (to the extent such elements apply to the deal reflected in the Third Party LOI): ***. Pfizer will treat the Third Party LOI as the confidential information of Lpath and such Third Party. Pfizer will have *** days after receipt of the Third Party LOI to notify Lpath whether it wishes to enter into a new agreement with Lpath in accordance with all of the material terms and conditions of the Third Party LOI (the "New Agreement"). "ROFR Term" means the period from the Execution Date to the later of: (i) the ***, or (ii) *** months after the Execution Date.

If Pfizer notifies Lpath that it intends to enter into the New Agreement, Lpath agrees (i) to provide to Pfizer additional due diligence information and data customary for agreements of this type, and (ii) to negotiate a new license, co-marketing or co-development agreement, as applicable, with Pfizer in good faith in accordance with the terms and conditions contained in the Third Party LOI.

If Pfizer declines to enter into the New Agreement, or if Pfizer does not notify Lpath within the *** days period described above that Pfizer wishes to enter into the New Agreement, Lpath may enter into an agreement with the third party for such other indication on the same material terms and conditions contained in the Third Party LOI. If Lpath does not enter into an agreement with the Third Party on the same material terms and conditions contained in the Third Party LOI, Pfizer's rights under this Section 3.4(b) will remain in force until the end of the ROFR Term.

(c) Right to Review New Data. During the period from the Execution Date until the *** of the Execution Date, (i) so long as Lpath has not entered into an agreement granting or conveying rights to a Third Party to develop or commercialize Licensed Products outside the Field, Lpath shall provide periodic updates regarding the general status of development of Licensed Products outside the Field, together with a summary of relevant data, and (ii) in the event that Lpath completes any clinical trial of a Licensed Product outside the Field without having first entered into an agreement obligating Lpath to license or convey rights to a Third Party to develop and/or commercialize such Licensed Product outside the Field, then Lpath shall not enter into any agreement obligating Lpath to license or convey such rights to any Third Party that has had the opportunity to review the data or results of such clinical trial until *** days after Lpath provides the same data or results to Pfizer for review.

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Section 4 GOVERNANCE OF DEVELOPMENT

4.1 Joint Development Committee.

(a) Members. Promptly after the Execution Date, the Parties shall establish a development committee (the "JDC"). Pfizer and Lpath shall each designate three (3) representatives to serve as members on the JDC and each Party shall appoint one of its representatives to act as a committee chair and the two shall act as co-chairs. Such representatives shall include individuals who have clinical trial and regulatory experience and expertise in pharmaceutical drug development. Each of Pfizer and Lpath may replace any or all of its representatives on the JDC at any time, in its sole discretion, effective upon written notice to the other Party. A Party may designate a substitute to temporarily attend and perform the functions of such Party's designee at any JDC Meeting. Additional representatives or consultants may from time to time, by mutual consent of the Parties, attend a JDC Meeting.

(b) Responsibilities until License Effective Date. The JDC shall plan, implement and oversee all development and regulatory activities with respect to Licensed Products in the Field in the Territory during the Option Period in accordance with the Development Plan and from time to time shall revise and approve any revised Development Plan as appropriate.

(c) Role after License Effective Date. In the event that Pfizer exercises its Option, then the JDC shall thereafter serve as a forum for information exchange and discussion concerning material development activities with respect to the Licensed Products in the Field in the Territory but shall not have any decision-making authority. Without limiting Lpath's obligations set forth in Section 5.1, the Parties agree that Lpath's participation in the JDC after the Option Period shall not be mandatory, and Lpath may in its discretion discontinue its participation in the JDC after the Option Period.

(d) Decision-making during the Option Period. In spite of the number of Pfizer JDC members or Lpath JDC members, each Party shall have one vote and the JDC shall make decisions by consensus with respect to all matters that are the subject of JDC decision-making authority during the Option Period. If the JDC is unable to reach consensus on any matter that is before it, such matter shall be elevated to a member of the leadership team of Pfizer's Research and Development organization (or his or her designee who shall have appropriate decision-making authority) and the Chief Executive Officer of Lpath (or his or her designee who shall have appropriate decision-making authority), and such individuals shall attempt in good faith to resolve such matter within fourteen (14) days after it is elevated to them. If such matter has been discussed by such individuals and they are not able to reach resolution within such fourteen (14) day period, then Pfizer shall make the final decision, provided that in making such decision Pfizer shall not impose on Lpath materially different or greater development obligations or responsibilities (including materially greater financial obligations or responsibilities) as compared to those set forth in the initial Development Plan attached hereto in Schedule 1.11.

(e) Limits on JDC Authority. Notwithstanding any provision of this Section 4.1 to the contrary, (i) each Party shall retain the rights, powers and discretion granted to it under this Agreement and no such rights, powers, or discretion shall be delegated to or vested in the JDC unless such delegation or vesting of rights is expressly provided for in this Agreement or the Parties expressly so agree in writing, (ii) the JDC shall not have the power to amend this Agreement or otherwise modify or waive compliance with this Agreement in any manner, and

(iii) neither Party shall require the other Party to breach any obligation or agreement that such other Party may have with or to a Third Party.

(f) Term of JDC. The JDC shall be dissolved when the first Licensed Product is ***.

(g) Meetings. During the Option Period, the JDC shall meet at least ***; thereafter, for so long as Lpath elects to continue its participation in the JDC, the JDC shall meet at least *** and at such other times, if any, as the Parties shall mutually agree (each such meeting in this sentence, a "JDC Meeting"). All JDC Meetings may be conducted in person, by videoconference or by teleconference, at such times and such Pfizer or Lpath locations as shall be determined by the JDC.

(h) Development Reports.

(i) From Lpath. During the period beginning on the Execution Date and ending on the License Effective Date, Lpath shall provide *** written reports to Pfizer summarizing material development and regulatory activities for the Licensed Products.

(ii) From Pfizer. After the License Effective Date, Pfizer shall provide written reports to Lpath summarizing material development and regulatory activities for the Licensed Products, including a reasonably detailed description of the results of development activities that describes the outcomes and top line data from clinical trials. From the License Effective Date until the first Launch of a Licensed Product in the Field in any Major Market, Pfizer shall provide these reports *** with respect to activities worldwide. From the first Launch of a Licensed Product in the Field in any Major Market until the Launch a Licensed Product in the Field has occurred in each of the Major Markets, Pfizer shall provide these reports *** with respect to activities for the Major Market(s) in which no Licensed Product has been Launched in the Field, and *** with respect to activities for the Major Market(s) in which a Licensed Product in the Field has been launched and/or countries and territories outside of the Major Markets. After a Licensed Product in the Field has been Launched in each of the Major Markets, Pfizer shall provide these reports *** with respect to activities worldwide.

(iii) Timing. Until the JDC has been dissolved, the Parties shall use Commercially Reasonable Efforts to provide the reports described in this Section 4.1(b) at least *** Business Days before the applicable JDC Meeting. After the JDC has been dissolved, Pfizer shall use Commercially Reasonable Efforts to provide such *** reports (as applicable) within *** days after written request by Lpath.

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4.2 Alliance Managers.

Promptly following the Execution Date, each Party shall designate an individual to serve as the main point of contact for each Party to exchange information, facilitate communication and coordinate the Parties' activities under this Agreement relating to Licensed Products and to provide support to the JDC (each, an "Alliance Manager"). Each Alliance Manager shall be experienced in strategic alliance management or business development and shall have appropriate experience in the biotechnology or pharmaceutical industry. The Alliance Managers may attend all meetings between the Parties, including JDC meetings. Each Party may change its designated Alliance Manager from time to time upon written notice to the other Party.

4.3 Minutes of JDC Meetings.

At each meeting of the JDC, the JDC shall designate an individual from one of the Parties (on an alternating basis) to keep and prepare minutes for the meeting. Definitive minutes of all JDC meetings shall be finalized no later than *** days after the meeting to which the minutes pertain. Within *** Business Days after a JDC meeting, the minute keeper for such meeting shall prepare and distribute to all members of the JDC draft minutes of the meeting. The members of the JDC shall then have *** Business Days after receiving such draft minutes to collect comments thereon and provide them to the secretary of the JDC. If the members of the JDC do not submit any comments within such time period, then the draft minutes shall be deemed final. If the members of the JDC do submit comments, then following incorporation or resolution of such comments, the secretary of the JDC shall issue final minutes.

4.4 Expenses.

Each Party shall be responsible for all expenses, travel and related costs and expenses for its representatives to attend JDC meetings of, and otherwise participate on, the JDC.

Section 5 TRANSITION; DEVELOPMENT; REGULATORY APPROVALS; ETC.

5.1 Transition Plan.

After the License Effective Date, in order to ensure the smooth transition of ongoing development activities for the Licensed Products in the Field in the Territory that Lpath has licensed to Pfizer pursuant to Section 3 and to facilitate the transfer of the Lpath Technology to Pfizer, the Parties hereby agree to use Commercially Reasonable Efforts to comply with the provisions of the transition plan (the "Transition Plan"), which is attached hereto as Exhibit B. If there is an inconsistency or disagreement between the Transition Plan and this Agreement, the terms of this Agreement shall prevail.

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5.2 Development Activities.

Until the License Effective Date (or termination of this Agreement, if earlier than the License Effective Date), Lpath, in collaboration with Pfizer through the JDC, shall perform and implement all development activities for the Licensed Products in the Field in the Territory in accordance with the Development Plan. Pfizer and Lpath shall share (a) the actual costs payable to Third Parties for activities directly related to the development of Licensed Products in the Field in the Territory that are incurred by Lpath between the Execution Date and the License Effective Date in accordance with the Development Plan, and (b) the costs already incurred or committed to by Lpath for clinical contracting services, for procuring clinical trial supplies for clinical trials for the development of Licensed Products in the Field in the Territory, stability testing of Licensed Products for the Field and other costs related to the development of Licensed Products for the Field, in each case as are specified in Schedule 5.2 (collectively, the "Shared Costs"), as set forth below. Pfizer shall be responsible for the *** of Shared Costs, and Lpath shall be responsible for the *** of Shared Costs. *** shall be responsible for any Shared Costs in excess of *** (such excess amount, the "Overage"), subject to ***. The Parties shall promptly adopt mutually agreeable procedures for the periodic true-up and reimbursement between them of any Shared Costs incurred or paid by each of them (such procedures to address the timing of reporting of costs so that such costs can be accounted for in the proper periods), and each Party shall provide the other Party with reasonable documentation of any Shared Costs incurred or paid by it, and in the interim period prior to the adoption of the mutually agreed procedures, Lpath may invoice Pfizer for the amounts specified on Schedule 5.2 and may periodically submit invoices to Pfizer for payments associated with other amounts of Shared Costs incurred after the Execution Date, and shall reasonably cooperate to provide documentation of such invoiced amounts if requested by Pfizer, and Pfizer shall pay within forty-five (45) days of such invoices.

Except as explicitly set forth in the Transition Plan, Pfizer shall have sole authority and discretion, at its own cost, for the development of all Licensed Products in the Field in the Territory after the License Effective Date, and any decisions with respect to the creation, modification and implementation of all such development activities shall be made by Pfizer. Prior to the License Effective Date neither Party would be required to undertake any registration toxicology studies of the Licensed Products for use in the Field; provided, however, that Lpath may undertake such toxicology studies, and if it does undertake such toxicology studies and the protocol for such studies has been provided to the JDC for review prior to commencement of such studies and the JDC has not objected to such protocol, then after the License Effective Date ***.

5.3 Records.

During the Term, Lpath will continue to prepare and maintain accurate records and books relating to the progress and status of its activities in relation to the development of Licensed Products in accordance with its standard practices, which practices shall be consistent with Lpath's past practices in the ordinary course of business. After the License Effective Date, Pfizer will prepare and maintain accurate records and books relating to the progress and status of its activities in relation to the research and development of Licensed Products, in accordance with its standard practices, which practices shall be consistent with Pfizer's past practices in the ordinary course of business.

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5.4 Regulatory Affairs.

(a) Regulatory Activities. During the Option Period, Pfizer and Lpath would work together to prepare any appropriate regulatory exchanges with governmental authorities, such as the EMA and FDA, with the objective of seeking advice and clarification on certain questions in anticipation of next steps of development of Licensed Products in the Field. Details regarding such regulatory exchanges shall be as mutually agreed upon by the Parties. During the Option Period and until the License Effective Date, Lpath, in collaboration with Pfizer through the JDC, shall be responsible for carrying out the regulatory plans and strategies for all Licensed Products in the Field as set forth in the Development Plan. In order to carry out such regulatory plans and strategies during such period, Lpath shall provide Pfizer with (A) prompt updates regarding any new regulatory information its receives, including copies of all substantive documents submitted to, or received from any Regulatory Authority that relate to the Licensed Products in the Field, and (B) except to the extent impracticable in the circumstances, an opportunity to advise on regulatory strategy prior to any substantive interactions between Lpath and any Regulatory Authority regarding the Licensed Products in the Field.

Except as explicitly set forth in the Transition Plan, after the License Effective Date, Pfizer shall have sole authority and discretion for all regulatory plans and strategies and shall own and be responsible for all regulatory filings and approvals for all Licensed Products in the Field. After the License Effective Date, Pfizer shall provide to Lpath *** reports on the status of all regulatory activities for Licensed Products in the Field while such activities are being conducted. Such reports may be combined with Pfizer's reports on development activities for the Licensed Products prepared pursuant to Section 4.1(h).

(b) Exclusivity Rights. Pfizer shall have the sole right to apply for and secure exclusivity rights that may be available under the Law of countries in the Territory for the Licensed Products in the Field, including any data or market exclusivity periods such as those periods listed in the FDA's Orange Book, or other similar compendium, or periods under national implementations of Article 10.1(a)(iii) of Directive 2001/EC/83 (including any pediatric exclusivity extensions or other forms of regulatory exclusivity that may be available), and all international equivalents. Lpath shall use Commercially Reasonable Efforts to cooperate with Pfizer and to take such reasonable actions to assist Pfizer, in obtaining such exclusivity rights in each country in the Territory, as Pfizer may reasonably request from time to time, at Pfizer's expense.

(c) Safety; Pharmacovigilance. The safety units from each of the Parties shall meet and agree upon a written plan for exchanging adverse event and other safety information relating to Licensed Products in the Field in the Territory after the License Effective Date but prior to the earlier of (i) Pfizer's initiation of any clinical or marketing activity implying pharmacovigilance obligations for the Licensed Products in the Field in the Territory or (ii) the transfer of all filings with Regulatory Authorities that relate to the Licensed Product in the Field in the Territory to Pfizer. Such written plan shall ensure that adverse event and other safety information (e.g., Individual Case Safety Reports, Developmental Safety Update Reports, other aggregate reports)

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is exchanged according to a schedule that will permit each Party to comply with local regulatory requirements.

(d) Interactions with Regulatory Authorities Prior to License Effective Date. During the period beginning on the Execution Date and ending on the License Effective Date, Pfizer shall have the right to review and comment on all correspondence between Lpath and any Regulatory Authorities and all submissions by Lpath to any Regulatory Authorities that relate to the Licensed Product in the Field in the Territory and will provide such comments, no later than *** Business Days after its receipt of such correspondence or proposed submission. Lpath shall reasonably cooperate in good faith to incorporate all such Pfizer comments (consistent with Lpath's ethical obligations and obligations under Law). Following the incorporation of Pfizer's comments, Lpath shall submit all such correspondence and submissions to the applicable Regulatory Authority as promptly as practicable.

5.5 Manufacture and Supply. Lpath shall procure clinical trial supplies of Licensed Products for use in the Phase Ib Study and the Phase IIa Study under the Development Plan and the costs payable to Third Parties for such supplies shall be a Shared Cost for purposes of Section 5.2. Prior to the License Effective Date neither Party shall be required to procure or make commitments for any clinical trial supplies of Licensed Products for clinical studies other than the Phase Ib Study and the Phase IIa Study in accordance with the Development Plan, including any future studies agreed to by the JDC; provided, however, that Lpath may undertake the manufacture of clinical supplies, and if it does undertake such manufacture and the specification for such manufacture have been provided to the JDC for review prior to commencement of such manufacture and the JDC has not objected to such manufacture ***.

Except as explicitly set forth in the Transition Plan, after the License Effective Date, Pfizer shall have sole authority and discretion, at Pfizer's expense, to manufacture or have manufactured clinical and commercial supplies of all Licensed Products in the Field.

If Pfizer has established a supply chain for the manufacture of commercial supplies of the Licensed Product, and Lpath or a third party licensee is developing or commercializing a Licensed Product for an indication not in the Field, Lpath or its third party licensee agree to meet with Pfizer to discuss whether Pfizer could be the provider of commercial supplies of Licensed Product. Any such agreement would require the negotiation of a commercial supply agreement between the parties.

5.6 Disclosure of Technology. Within *** days after the License Effective Date, and from time-to-time throughout the Term, and at any time during the Term at Pfizer's request, Lpath will disclose to Pfizer or its designated Affiliate all Lpath Technology that may be necessary or useful to Pfizer to develop, manufacture, register, or market Licensed Products in the Field and efficiently practice the licenses granted to Pfizer under this Agreement; provided, however, that with respect to manufacturing information and know-how within the Lpath Technology that is developed or obtained in connection with Licensed Products outside the Field, Lpath's obligation to provide such information as described herein shall expire upon the expiration or termination of the last to expire of the Expansion Rights.

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5.7 Commercialization/Pricing. After the License Effective Date, Pfizer shall have sole authority and discretion for the commercialization of all Licensed Products in the Field in the Territory, including marketing, selling, promoting and distributing Licensed Products in the Field, determining commercial terms of sale and booking all Third Party sales for all Licensed Products in the Field. Pfizer shall market all Licensed Products in the Field under such Trademarks as Pfizer shall select in its sole discretion. Pfizer shall own such Trademarks. If Pfizer so requests, Lpath shall reasonably cooperate to grant Pfizer a royalty-free license to selected proprietary trademarks of Lpath (excluding trademarks related to the corporate name and logo of Lpath and trademarks used by Lpath for products other than Licensed Products in the Field) for use in connection with the marketing, sale and distribution of the Licensed Products in the Field. Pfizer acknowledges that in connection with such a trademark license, concerns regarding preservation of trademark rights may necessitate agreement between Lpath and Pfizer of procedures to review and assess quality of products with respect to which such licensed trademarks are used.

5.8 Diligence.

(a) Pfizer shall use Commercially Reasonable Efforts to develop, obtain Regulatory Approval for and Launch a Licensed Product in ***.

(b) Notwithstanding any provision of this Agreement to the contrary, Pfizer will be relieved of all diligence obligations under Section 5.8(a) to the extent that:

(i) Pfizer or Lpath receives or generates any safety, tolerability or other data reasonably indicating, as measured by Pfizer's safety and efficacy evaluation criteria and methodology, or signaling that a Licensed Product has or would have an unacceptable risk-benefit profile for use in the Field or is otherwise not reasonably suitable for initiation or continuation of clinical studies in the Field;

(ii) Pfizer or Lpath receive any notice, information or correspondence from any applicable Regulatory Authority or any applicable Regulatory Authority takes any action that reasonably indicates that a Licensed Product is unlikely to receive Regulatory Approval in the Field.

(c) Pfizer's achievement of the Event Milestone relating to the *** as set forth in Section 6.1, entitling Lpath to receive the corresponding Event Milestone Payment, will be conclusive evidence that Pfizer has satisfied all diligence obligations under Section 5.8(a) up to the date that such Event Milestone is achieved. In addition, Pfizer's achievement of the Event Milestones relating to the *** as set forth in Section 6.1, entitling Lpath to receive the corresponding Event Milestone Payments, will be conclusive evidence that Pfizer has satisfied all diligence obligations under Section 5.8(a);

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(d) If Lpath is aware, becomes aware or reasonably should be aware of facts that might form a reasonable basis to allege that Pfizer has failed to meet any of its obligations under Section 5.8(a), then Lpath will promptly notify Pfizer in writing of such potential alleged performance failure (each such potential alleged performance failure, a "Diligence Issue"). Promptly upon Pfizer's receipt of any notice of a Diligence Issue pursuant to this Section 5.8(d), the Pfizer Alliance Manager will contact the Lpath Alliance Manager to discuss the specific nature of such Diligence Issue and seek to identify an appropriate corrective course of action. If, no later than *** days after Pfizer's receipt of such a notice, (a) the Parties have not reached consensus regarding whether Pfizer has failed to satisfy its obligations pursuant to Section 5.8(a), and (b) the Parties' respective Alliance Managers have not agreed upon an appropriate corrective course of action for such Diligence Issue, then such Diligence Issue will be escalated and resolved by a Vice President of Pfizer (or his or her designee who shall have appropriate decision-making authority) and the Chief Executive Officer of Lpath (or his or her designee who shall have appropriate decision-making authority). If Lpath fails to notify Pfizer of a Diligence Issue pursuant to this Section 5.8(d) within *** days after the date that Lpath first discovers, or based on the information provided by Pfizer reasonably should have discovered, such Diligence Issue, then Pfizer will be deemed to have satisfied its obligations under Section 5.8(a) with respect to such Diligence Issue.

(e) If Pfizer materially breaches its obligations under Section 5.8(a) and fails to remedy such breach within *** days of Pfizer's receipt of notice of such breach from Lpath, then Lpath may, in its sole discretion, elect to either ***. Lpath acknowledges and agrees that the elections set forth in this Section 5.8(e): (i) have been negotiated by the Parties to fully address any harm that Lpath may incur as a result of Pfizer's material breach of Pfizer's obligations under Section 5.8(a); and (ii) constitute Lpath's sole and exclusive remedies with respect to any breach by Pfizer of Pfizer's obligations under Section 5.8(a), and Pfizer acknowledges and agrees that this sentence shall not be construed to limit or preclude such recoveries or other remedies to which Lpath may be entitled at law or equity with respect to breaches of this Agreement by Pfizer other than material breach of Pfizer's obligations under Section 5.8(a).

(f) If Pfizer makes a formal decision to discontinue all development and commercialization of Licensed Products in the Field for the Major Market Countries, or in fact discontinues development and commercialization of Licensed Products in the Field for the Major Market Countries (and does not intend to resume such material activities within *** months after such discontinuation), Pfizer agrees to notify Lpath in writing within *** days of such formal decision or discontinuation in fact.

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Section 6 FEES AND ROYALTIES.

6.1 Event Milestone Payments.

(a) In consideration of the rights granted hereunder, and subject to the terms and conditions of this Agreement, Pfizer shall pay to Lpath the amount set forth in the table below opposite the corresponding Event Milestone (each an "Event Milestone Payment") within forty-five (45) days after the occurrence of such Event Milestone, provided that the Event Milestone Payment payable in connection with the Execution Date shall be paid by Pfizer within twenty (20) days after the Execution Date:

Event Milestone	**Event Milestone Payment**
Execution Date	$ 14 Million
***	$ ***
*** Clinical Study of a Licensed Product in the Field for a *** Clinical Study of a Licensed Product in the Field for *** has not occurred	$ ***
*** Clinical Study of a Licensed Product in the Field for *** Clinical Study of a Licensed Product in the Field for a ***	$ ***
If Pfizer *** Clinical Study of a Licensed Product in the Field for *** and then *** Clinical Study of a Licensed Product in the Field for *** occurs	$ ***

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Event Milestone	Event Milestone Payment
*** for a Licensed Product in the Field for a ***	$ ***
*** of a Licensed Product ***:	
A. for the *** in the Field	**A.** $***
B. in any ***.	**B.** $***
*** of a Licensed Product in ***:	
A. for the *** in the Field	**A.** $*** (but if ***)
B. in any ***	**B.** $***
C. if Pfizer ***, and subsequently *** of a Licensed Product for *** occurs	**C.** $***

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Event Milestone	Event Milestone Payment
*** of a Licensed Product in ***:	
A. for the *** the Field	**A.** $ ***(but if the ***)
B. in any ***	**B.** $ ***
C. if Pfizer *** of a Licensed Product for ***, and subsequently the *** of a Licensed Product for *** occurs	**C.** $ ***

(b) Each of the Event Milestone Payments described in the table above shall be paid upon achievement of the corresponding Milestone Event with respect to any Licensed Product in the Field, but (i) each Event Milestone Payment shall be payable only on the first occurrence of the corresponding Event Milestone; (ii) none of the Event Milestone Payments shall be payable more than once regardless of the number of Licensed Products that are developed and/or commercialized in the Field; (iii) should a Licensed Product be replaced or succeeded by another Licensed Product, no additional Event Milestone Payments shall be due for Event Milestones already met (and the corresponding Event Milestone Payment paid) with respect to any other Licensed Product. For the avoidance of doubt, clauses (i) and (ii) of the preceding sentence, the events described in items *** set forth in the foregoing table with respect to various Milestone Events associated with *** shall each be deemed separate Milestone Events, and the corresponding payments shall be deemed separate Event Milestone Payments.

6.2 Sales Milestone Payments.

In addition to the Event Milestone Payments, in consideration of the rights granted hereunder, and subject to the terms and conditions of this Agreement, Pfizer shall pay to Lpath the following one-time payments (each, a "Sales Milestone Payment") when aggregate Net Sales in a Pfizer Year of Licensed Products in the Field in the Territory first reach the respective thresholds indicated below:

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Annual Net Sales in Territory	Sales Milestone Payment
$ ***, if achieved within *** after first Launch of the first Licensed Product in the Field	$***
$ ***, if achieved within *** after first Launch of the first Licensed Product in the Field	$***
$ *** , if achieved within *** after first Launch of the first Licensed Product in the Field	$***
$ ***, if achieved within *** after first Launch of the first Licensed Product in the Field	$***
$ ***, if achieved within *** after first Launch of the first Licensed Product in the Field	$***

Pfizer shall make any Sales Milestone Payment payable with respect to a Pfizer Year within sixty (60) days after the end of the calendar year that most nearly coincides with the applicable Pfizer Year, and such payment shall be accompanied by a report identifying the Licensed Products, the relevant countries, Net Sales of each Licensed Product for each such country, and the amount payable to Lpath. All such reports shall be kept confidential by Lpath and not disclosed to any other Person, other than Lpath's accountants which shall be obligated to keep such information confidential, and such information and reports shall only be used for purposes of this Agreement.

6.3 Royalty Payments.

In addition to the payments under Sections 6.1 and 6.2, in consideration of the rights granted hereunder, and subject to the terms and conditions of this Agreement, Pfizer shall pay to Lpath, with respect to each Licensed Product in the Field, an amount equal to:

(a)***% of Net Sales for the portion of Net Sales of such Licensed Product in the Field in a Pfizer Year in the Territory below or equal to *** U.S. Dollars (US $ ***); plus

(b)***% of Net Sales for the portion of Net Sales in a Pfizer Year of such Licensed Product in the Field in the Territory greater than *** U.S. Dollars (US $ ***) and less than or equal to *** U.S. Dollars (US $ ***); plus

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(c)***% of Net Sales for the portion of Net Sales in a Pfizer Year of such Licensed Product in the Field in the Territory greater than *** U.S. Dollars (US $ ***) and less than or equal to *** U.S. Dollars (US $ ***); plus

(d)***% of Net Sales for the portion of Net Sales in a Pfizer Year of such Licensed Product in the Field in the Territory greater than *** U.S. Dollars (US $ ***) and less than or equal to *** U.S. Dollars (US $ ***); plus

(e)***% of Net Sales for the portion of the Net Sales in a Pfizer Year of such Licensed Product in the Field in the Territory in excess of *** U.S. Dollars (US $ ***).

Notwithstanding the foregoing, for Net Sales based on sales of a Licensed Product in the Field in any country in the Territory, any payments owed with respect to such Licensed Product for such country pursuant to this Section 6.3 shall be reduced by *** for the remainder of the applicable Royalty Term, if at any time the following events occur or are in existence: (x) there is no Valid Claim covering the composition, sale or use of such Licensed Product in such country, or (y) Generic Market Share in such country for *** consecutive months is equal to or greater than *** (in which event, the applicable royalty reduction hereunder will apply retroactively to with respect to Net Sales of the applicable Licensed Product(s) for such ***, and Pfizer may offset any overpayment of royalties previously made for such *** that is attributable to such retroactive reduction against future royalty payments hereunder; provided, however, that future royalty payments with respect to any given Pfizer *** shall not be so reduced to recoup such overpayment to an amount that is less than *** of the royalty amounts that would otherwise be due with respect to such Pfizer ***). Notwithstanding the foregoing, the combined royalty reduction for any Licensed Product in the Field in any country resulting from clauses (x) and (y) in the preceding sentence shall be subject to a maximum reduction of ***% of the royalty amounts indicated in clauses (a) through (e) above, and in no case shall the total net royalty percentage by reason of such reductions resulting from clauses (x) and (y) in the preceding sentence be lower than *** for any Licensed Product in the Field in any country. The Parties agree and acknowledge that the payment of royalties by Pfizer to Lpath for sales in a country in which there is no Valid Claim covering the applicable Licensed Product shall represent consideration for the license to Lpath Technology granted by Lpath to Pfizer in Section 3.2(a).

6.4 Duration of Royalty Payments.

Payment obligations under Section 6.3 shall apply with respect to Net Sales of each Licensed Product in each country in the Territory prior to the expiration of the Royalty Term with respect to the applicable Licensed Product in the applicable country; and after the expiration of the applicable Royalty Term, on a Licensed Product-by-Licensed Product and country-by-country basis, Pfizer shall have a royalty-free, perpetual, irrevocable, non-exclusive, license in the applicable country, with the right to sublicense, under the Lpath Patent Rights (other than Valid Claims, if any, within the Primary Lpath Patent Rights in such country claiming the composition, use or sale of such Licensed Product in the Field) and the Lpath Technology, to manufacture, develop and commercialize such Licensed Product in the Field in such country.

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6.5 Notices of Termination.

In the event that a Party has given the other Party any notice of termination of this Agreement under Section 13, and the right of such Party to terminate pursuant to such notice is not disputed by the other Party, no further payments under Section 6.1 shall become due with respect to Milestone Events achieved following the date of such notice; provided, however, that (i) if termination does not, in fact, occur pursuant to such notice, then any such payments that would otherwise have become due shall be reinstated, and (ii) payments accrued with respect to Milestone Events achieved prior to the date of such notice shall not be affected by this Section 6.5 and shall remain due and payable in accordance with the terms of this Agreement.

Section 7 ACCOUNTING AND PROCEDURES FOR PAYMENT.

7.1 Inter-Company Sales.

Sales between or among Pfizer, its Affiliates or sublicensees shall not be subject to royalties under Section 6; provided that subsequent resale to a Third Party (which resale is not a sale between or among Pfizer, its Affiliates or sublicensees) shall be subject to royalties under Section 6. Pfizer shall be responsible for the payment of royalties on Net Sales by its Affiliates or sublicensees to Third Parties.

7.2 Currency.

All royalty payments shall be computed and paid in United States dollars. For the purposes of determining the amount of any Sales Milestone Payments or royalties due for the relevant Pfizer Quarter, the amount of Net Sales in any foreign currency shall be converted into United States dollars in a manner consistent with Pfizer's customary practices used to prepare its audited financial reports. No more than once per year, and from time to time, upon request of Lpath, Pfizer shall provide an explanation of such customary practices of Pfizer with respect to conversion of foreign currency amounts into United States dollars that are used in connection with amounts under this Agreement.

7.3 Royalty Payments.

(a) Pfizer shall make royalty payments to Lpath with respect to each Pfizer Quarter within sixty (60) days after the end of the calendar quarter that most nearly coincides with the applicable Pfizer Quarter, and each payment shall be accompanied by a report identifying the Licensed Product, each applicable country, Net Sales for each such country, and the amount payable to Lpath, as well as the computation thereof. Said reports shall be kept confidential by Lpath and not disclosed to any other Person, other than Lpath's accountants which shall be obligated to keep such information confidential, and such information and reports shall only be used for purposes of this Agreement.

(b) If Net Sales in any Pfizer Quarter during a given Pfizer Year are less than zero (as a result of returns or recalls of Licensed Product or any other circumstance), then Pfizer will not be obligated to pay Lpath any royalties for such Pfizer Quarter, and for purposes of calculating royalty payments with respect to the fourth Pfizer Quarter of such Pfizer Year, Net Sales for such fourth Pfizer Quarter shall be reduced by the aggregate amount of negative Net Sales in each Pfizer Quarter in which Net Sales are less than zero during the applicable Pfizer Year; provided, however, that Lpath shall not be obligated to make any payments to Pfizer whatsoever with

respect to royalties attributable to negative Net Sales. If, as a result of such reduction, the aggregate Net Sales with respect to such fourth Pfizer Quarter are less than zero, then, for purposes of calculating royalty payments with respect to the first Pfizer Quarter of the next succeeding Pfizer Year, Net Sales for such first Pfizer Quarter shall be reduced by the amount of negative Net Sales in the fourth Pfizer Quarter of the immediately preceding Pfizer Year. Any adjustment for negative Net Sales described in this Section 7.3(b) shall be clearly indicated and shown in the applicable royalty reports provided by Pfizer pursuant to Section 7.3(a).

7.4 Method of Payments.

Each payment hereunder shall be made by electronic transfer in immediately available funds via either a bank wire transfer, an ACH (automated clearing house) mechanism, or any other means of electronic funds transfer, at Pfizer's election, to a bank account specified by Lpath to Pfizer. Lpath may change such account by written notice at least five (5) Business Days before the payment is due.

7.5 Inspection of Records.

Pfizer shall, and shall cause its Affiliates and sublicensees to, keep accurate books and records evidencing gross sales of each Licensed Product, Net Sales of each Licensed Product, including the amounts deducted from gross sales in the calculation of Net Sales from gross sales, any other adjustments or calculations in the determination of royalties payable to Lpath hereunder, and the calculation of amounts payable hereunder for each such Licensed Product, and each Party shall, and shall cause its Affiliates and sublicensees to, keep accurate books and records evidencing documentation and details regarding Shared Costs, Overages, registration toxicology costs described in Section 5.2, clinical supply costs described in Section 5.5, patent costs under Section 8.2 and any other cost or expense payable or reimbursable by one Party to the other hereunder. Each Party shall permit the other Party, by independent certified public accountants employed by the examining Party and reasonably acceptable to the Party being examined, to examine such books and records at any reasonable time, upon reasonable notice, but not later than *** years following the end of the calendar year to which such books and records relate. The foregoing right of examination may be exercised only once by each Party during each *** -month period of the Term. The Party being examined may require such accountants to enter into a reasonably acceptable confidentiality agreement, and in no event shall such accountants disclose to the examining Party any information, other than such as relates to the accuracy of the corresponding books and records and corresponding payment, and compliance with payment obligations hereunder. The opinion of said independent accountants regarding such reports and related payments shall be binding on the Parties, other than in the case of manifest error. The examining Party shall bear the cost of any such examination and review; provided that (a) in the case where the examining Party is the recipient of the relevant payments, if the examination shows an underpayment of any amount of more than *** of the amount due for the applicable period, or (b) in the case where the examining Party is the payer of the relevant payment, if the examination shows an overpayment of any amount of more than *** of the amount due for the applicable period, then in either case the Party being examined shall promptly reimburse the examining Party for the costs of such independent certified public accountants incurred in connection with such examination. If the examination reveals that a Party underpaid any amount hereunder, such Party shall promptly pay to the other Party the

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amount of any such underpayment revealed by an examination. If the examination reveals that a Party overpaid any amount hereunder, such Party shall be entitled to a full credit for any such overpayment revealed by an examination against any future payment from the overpaying Party to the other Party, but if no future payment will become payable hereunder, the other Party shall promptly pay to the overpaying Party the amount of such overpayment.

7.6 Tax Matters.

(a) VAT. It is understood and agreed between the Parties that any payments made by Pfizer under this Agreement are inclusive of any value added or similar tax imposed upon such payments and any payments made by Lpath to Pfizer under this Agreement are exclusive of any value added or similar tax imposed upon such payments.

(b) Tax Cooperation. The Parties agree to reasonably cooperate and produce on a timely basis any tax forms or reports, including an IRS Form W-8BEN if applicable, reasonably requested by the other Party in connection with any payment made by one Party to the other under this Agreement. Each Party further agrees to provide reasonable cooperation to the other Party, at the other Party's expense, in connection with any official or unofficial tax audit or contest relating to payments made by Pfizer to Lpath under this Agreement.

(c) Withholding Tax Matters. In addition, in the event any of the payments made by Pfizer pursuant to Section 6 become subject to withholding taxes under the Laws of any jurisdiction, Pfizer shall deduct and withhold the amount of such taxes for the account of Lpath to the extent required by Law, such payment to Lpath shall be reduced by the amount of taxes deducted and withheld, and Pfizer shall pay the amount of such taxes to the proper Governmental Authority in a timely manner and promptly transmit to Lpath an official tax certificate or other evidence of such tax obligations, together with proof of payment from the relevant Governmental Authority of all amounts deducted and withheld sufficient to enable Lpath to claim such payment of taxes. Any such withholding taxes required under applicable Law to be paid or withheld shall be an expense of, and borne solely by, Lpath. Pfizer will provide Lpath with reasonable assistance, at Lpath's expense, to enable Lpath to recover such taxes as permitted by Law.

Section 8 PATENTS AND INFRINGEMENT.

8.1 Prosecution and Maintenance of Primary Lpath Patent Rights.

From the Execution Date, Pfizer shall have the sole right to control the prosecution and maintenance of all Primary Lpath Patent Rights (including without limitation the ***, using patent counsel reasonably acceptable to Lpath. Pfizer shall keep Lpath reasonably informed of the course of the prosecution and maintenance of Primary Lpath Patent Rights and (ii) reasonably consider Lpath's comments regarding such matters, and (iii) reasonably endeavor to undertake all suggestions by Lpath that are not unreasonable. Until expiration of Pfizer's Expansion Rights, Lpath shall keep Pfizer reasonably informed of the course of the prosecution and maintenance of patents and patent applications Controlled by Lpath as of the Execution Date or at any time during the Term relating to any Licensed Product outside the Field and Lpath shall reasonably consider Pfizer's comments. In the event that Pfizer does not obtain a license for Licensed Products outside the Field through the Expansion Rights, Lpath shall thereafter keep

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Pfizer reasonably informed with respect to such patents and patent applications other than those having applicability solely outside the Field.

8.2 Patent Filing, Prosecution and Maintenance Costs of the Primary Lpath Patent Rights .

(a) Pfizer shall be responsible for and shall pay *** patent expenses incurred after the Execution Date for prosecution and maintenance of the Primary Lpath Patent Rights in the Field; provided, however, that if at any time Lpath grants a Commercial License outside the Field under any Primary Lpath Patent Right that is applicable both inside and outside the Field to any Third Party (an "Out-of-Field Licensee") or Lpath itself Launches a Licensed Product outside the Field ("Lpath Launch"), Pfizer shall thereafter be responsible for ***% of the expenses incurred after the effective date of such Commercial License or Lpath Launch for prosecution and maintenance of such Primary Lpath Patent Right. As used herein, "Commercial License" means a license to make and sell commercial quantities of Licensed Products outside the Field, or an exclusive right to market and distribute Licensed Products outside the Field in one or more given countries; provided, however, that a license to manufacture Licensed Products for supply to Lpath or a licensee of Lpath which license does not permit resale to the public generally shall not be deemed a Commercial License. As between Lpath and Pfizer, Lpath shall be responsible for and shall pay all patent expenses for prosecution and maintenance of patents that are primarily related to Licensed Products outside the Field (including related formulation patents). With respect to Primary Lpath Patent Rights for which Pfizer controls prosecution as described above, Pfizer agrees to use reasonable efforts to file divisional applications for the purpose of segregating those claims that are primarily related to the Licensed Products outside the Field into separate patent applications for which, as described in the preceding sentence, Lpath may (as between the Parties) control prosecution and maintenance. In the event that Pfizer obtains an option or license for Licensed Products outside the Field, the Parties shall agree upon appropriate treatment of patent costs for patents outside the Field at that time.

(b) At any time during the Term, Pfizer shall have the right, in its sole discretion, to cease prosecuting and maintaining any Primary Lpath Patent Right and paying expenses therefore under this Section 8, on a country-by-country, application-by-application or patent-by-patent basis. If Pfizer decides to cease prosecuting, maintaining and paying expenses under this Section 8 with respect to a patent application or issued patent within the Primary Lpath Patent Rights, ***, and Lpath shall thereafter be free, in its discretion, to undertake responsibility for prosecution and maintenance with respect to such Primary Lpath Patent Right, at Lpath's expense.

8.3 Prosecution and Maintenance of Secondary Lpath Patent Rights .

Lpath shall have the sole right, but not the obligation, to control the prosecution and maintenance of all Secondary Lpath Patent Rights at Lpath's sole expense. Lpath shall keep Pfizer reasonably informed of the course of the prosecution and maintenance of Secondary Lpath Patent Rights.

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8.4 Restrictions on Transfer.

During the Term, Lpath shall not, and it shall cause its Affiliates not to, sell, assign or otherwise transfer to any Person (i) any Primary Lpath Patent Rights that are registered in the name of or Controlled by Lpath or any of its Affiliates, (ii) Lpath's rights in any proprietary Lpath Technology directly related to Licensed Product in the Field that is licensed to Pfizer hereunder, or (iii) a controlling interest in the capital stock or securities of (A) any Affiliates of Lpath or (B) any Affiliate (other than Lpath) of any direct or indirect parent holding company of Lpath where, in the case of any such Affiliate described in this clause (iii), such Affiliate Controls Primary Lpath Patent Rights or rights in any proprietary Lpath Technology directly related to Licensed Product in the Field that is licensed to Pfizer hereunder (any such Affiliate, an "IP Subsidiary"), in each case except to an entity that acquires all or substantially all of the assets of Lpath related to Licensed Products and that either accepts assignment of this Agreement or acknowledges in writing that it takes Lpath Patent Rights and/or rights in such Lpath Technology subject to Pfizer's rights, licenses and option hereunder. This Section 8.3 shall not be construed to restrict or prohibit Lpath or its Affiliates from manufacturing, developing or commercializing or otherwise exploiting Licensed Products outside the Field, or from granting licenses to Third Parties to do so. For purposes of this Section 8.3, a merger of Lpath with a Third Party or an acquisition of Lpath by a Third Party shall be deemed not to be a sale, license assignment or other transfer of Primary Lpath Patent Rights or Lpath Technology to any Person.

8.5 Notices and Encumbrances.

Lpath agrees that it will, and will cause its Affiliates to, execute and file those notices and other filings as Pfizer shall request be made, from time to time with the United States Patent and Trademark Office (or any successor agency) or any analogous patent office in the Territory with respect to, and to the extent consistent with, the rights granted to Pfizer under this Agreement. During the Term, Lpath agrees that it will not, and shall cause its Affiliates not to, convey any mortgages, liens, pledges, security interests, charges, encumbrances or other similar restrictions in or to the Primary Lpath Patent Rights that conflict with the licenses, rights and option granted to Pfizer hereunder. For the avoidance of doubt, the foregoing shall not be construed to restrict or prohibit Lpath or its Affiliates from manufacturing, developing or commercializing or otherwise exploiting Licensed Products outside the Field, or from granting licenses to Third Parties to do so.

8.6 Patent Term Extensions.

After the License Effective Date, Pfizer shall have the sole right, but not the obligation, to seek, in Lpath's name if so required, patent term extensions, and supplemental protection certificates and the like available under Law, including 35 U.S.C. § 156 and applicable foreign counterparts, in any country in the Territory in relation to the Primary Lpath Patent Rights. Lpath and Pfizer shall cooperate in connection with all such activities, and Pfizer, its agents and attorneys will give due consideration to all suggestions and comments of Lpath regarding any such activities, but in the event of a disagreement between the Parties, Pfizer will have the final decision-making authority. Without limiting the generality of the foregoing, after the License Effective Date, Pfizer shall have the sole right, at its sole discretion, to elect which patent within the Primary Lpath Patent Rights to extend under any Law, including 35 U.S.C. § 156 and applicable foreign counterparts, in any country in the Territory, with respect to Licensed Products. Lpath shall not apply for an extension under any Law, including 35 U.S.C. § 156 and applicable foreign counterparts, in any country in the Territory, of any patent Controlled by

Lpath that is related to any Licensed Product either inside or outside the Field, without obtaining Pfizer's prior, written consent. On request of Lpath or its licensee with respect to Licensed Products outside the Field, Pfizer shall reasonably discuss possible application for such extensions with respect to Licensed Products outside the Field and/or, if permitted under applicable Law, filing for such patent extensions in a given county with respect to Licensed Products outside the Field.

8.7 Interpretation of Patent Judgments.

If any claim within the Lpath Patent Rights becomes the subject of a judgment, decree or decision of a court, tribunal, or other authority of competent jurisdiction in any country, which judgment, decree, or decision is or becomes final (there being no further right of appeal or review) and adjudicates the validity, enforceability, scope, or infringement of the same, the construction of such claim in such judgment, decree or decision shall be followed thereafter in such country not only as to such claim but also as to all other claims in such country to which such construction reasonably applies, in determining whether there are any Valid Claims in such country. If at any time there are two or more conflicting final judgments, decrees, or decisions with respect to the same claim, the decision of the higher tribunal shall thereafter control, but if the tribunal be of equal rank, then the final judgment, decree, or decision more favorable to such claim shall control unless and until the majority of such tribunals of equal rank adopt or follow a less favorable final judgment, decree, or decision, in which event the latter shall control for so long as a majority of such tribunals of equal rank adopt or follow such less favorable judgment, decree or decision.

8.8 Third Party Royalty Obligations.

Subject to the following sentences, Pfizer shall be responsible for payment of all royalties due to Third Parties for the manufacture, development, use or sale of any Licensed Product in the Field in any country in the Territory by or under authority of Pfizer after the License Effective Date, including any royalty payments under existing licensing and other intellectual property agreements of Lpath existing as of the Execution Date (the "Existing Lpath Agreements"). The amount of Pfizer's royalty payments under Section 6.3 with respect to Net Sales for such Licensed Product in such country shall be reduced by *** percent (***%) of any amounts payable by Pfizer to such Third Parties under the Existing Lpath Agreements. In addition, if Pfizer (a) reasonably determines in good faith that, in order to avoid infringement of any patent not licensed hereunder, it is reasonably necessary to obtain a license from a Third Party in order to make, have made, use, sell, offer for sale, supply, cause to be supplied, or import a Licensed Product in a country in the Territory and to pay a royalty or other consideration under such license (including in connection with the settlement of a patent infringement claim), or (b) shall be subject to a final court or other binding order or ruling requiring any payments, including the payment of a royalty to a Third Party patent holder in respect of sales of any Licensed Product in a country in the Territory, then the amount of Pfizer's royalty payments under Section 6.3 with respect to Net Sales for such Licensed Product in such country shall be reduced by *** percent (***%) of any amounts payable by Pfizer to such Third Party. Notwithstanding the foregoing, the combined royalty reduction for any Licensed Product in the Field in any country pursuant to the preceding sentences in this Section 8.8 shall be subject to a maximum reduction of ***% of the royalty amounts indicated in clauses (a) through (e) in Section 6.3, and in no case shall the

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total net royalty percentage by reason of the preceding sentences in this Section 8.8 be lower than *** percent (***%) for any Licensed Product in the Field in any country. Notwithstanding anything herein to the contrary, in the event that both an offset for Third Party royalties as described in the preceding sentences in this Section 8.8 and a reduction the last paragraph of Section 6.3 apply with respect to royalties otherwise due for sale of a given Licensed Product in a country, (i) the offset for Third Party royalties described in the preceding sentences in this Section 8.8 shall be applied first in determining royalties due and (ii) the total net royalty percentage payable under Section 6.3 shall not in any event be reduced to less than *** percent (***%) by reason of the preceding sentences in this Section 8.8 and the last paragraph of Section 6.3 together.

8.9 Third Party Infringement.

(a) Notice. A Party will promptly notify the other in the event it becomes aware of any actual, potential, or suspected infringement of a patent under the Primary Lpath Patent Rights by any Third Party.

(b) Discussion Prior to Enforcement of Primary Lpath Patent Rights. Prior to filing a complaint or initiating other legal action against an alleged infringer to enforce one or more claims of a patent within the Primary Lpath Patent Rights ("Infringement Action") the Parties shall discuss the advisability of undertaking such an Infringement Action, including consideration of concerns either Party may have with respect to the potential effects of such Infringement Action and with respect to the potential impact on the Primary Lpath Patent Rights and with respect to the commercial rights for Licensed Products both in and out of the Field. The Parties acknowledge that such discussion is intended only to serve as a means to discuss concerns in an advisory manner, and shall not override any right of a Party to initiate or control such an Infringement Action as set forth below once such opportunity for discussion has been provided. The Parties agree to undertake similar discussions with respect to any declaratory judgment action or other proceeding challenging the enforceability and/or validity of any claims contained in a patent within the Primary Lpath Patent Rights promptly after becoming aware of such action or proceeding. If the claims at issue have applicability both inside and outside the Field, the Out-of-Field Licensees, if any, shall have the right to participate in any such enforcement or defense discussions between the Parties, and Lpath agrees that it shall require any Out-of-Field Licensee to include Pfizer in any discussions between Lpath and such Out-of-Field Licensee with respect to legal actions by such Out-of-Field Licensee to enforce any Primary Lpath Patent Right to abate infringement of a patent within the Primary Lpath Patent Rights outside of the Field.

(c) Enforcement of Primary Lpath Patent Rights Before License Effective Date. During the Term until the License Effective Date, *** shall have the first right, but not the obligation, to institute and control an Infringement Action within the Primary Lpath Patent Rights, provided that *** shall not initiate any such Infringement Action unless *** first consents in writing. Any such Infringement Actions undertaken by *** shall be at ***'s expense, and *** shall be entitled to retain any recovery resulting from any such action. *** shall have the right, at its expense, to participate in and assist *** as ***, in its sole discretion, deems appropriate, and *** agrees to consider any reasonable input provided by ***. *** shall have the right to assume control of any Infringement Action that was initiated by *** prior to the

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License Effective Date, but which Infringement Action is ongoing after the License Effective Date.

(d) Enforcement of Primary Lpath Patent Rights After the License Effective Date. After the License Effective Date, the following shall apply:

(i) For purposes of this Section 8.9(d): (A) allegedly infringing activities that only involve the marketing or selling of pharmaceutical products for indications within the Field, and/or the conduct of clinical trials for an indication within the Field, and/or the filing of an application for Regulatory Approval of pharmaceutical products for indications within the Field, and/or the import or manufacture of products solely for such purposes, shall be "allegedly infringing activities that are within the *** Enforcement Zone ("***") (B) allegedly infringing activities that only involve the marketing or selling of pharmaceutical products for indications outside of the Field, and/or the conduct of clinical trials for an indication outside the Field, and/or the filing of an application for Regulatory Approval of pharmaceutical products for indications outside the Field, and/or the import or manufacture of products solely for such purposes, shall be "allegedly infringing activities that are within the *** Enforcement Zone ("***"); (C) allegedly infringing activities that involve the marketing or selling of pharmaceutical products, and/or the conduct of clinical trials, and/or the filing of an application for Regulatory Approval of pharmaceutical products, and/or the import or manufacture of products for such purposes, where one or more of the foregoing is for an indication within the Field and one or more is for an indication outside the Field, shall be "allegedly infringing activities that are both in and out of the Field" and shall be included within the ***; and (D) the manufacture, use, import, sale or marketing of a product that is not for pharmaceutical use, or that cannot reasonably be determined to be for a given indication, including without limitation the manufacture of infringing products by a Person that sells such product to non-affiliated third parties without restriction on the use of such product by the purchaser, shall be "allegedly infringing activities that are both in and out of the Field" and shall be included within the ***.

(ii) Infringements Within the *** Enforcement Zone ("***"). With respect to allegedly infringing activities that are solely within the ***, as described in Section (i) above, the following shall apply:

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(A) Pfizer shall have the first right, but not the obligation, to institute and thereafter control, an Infringement Action with respect to the Primary Lpath Patent Rights, or to take such other action as Pfizer deems reasonable in the circumstances, in order to abate such infringing activities. If Pfizer intends to initiate an Infringement Action, Pfizer will notify the Out-of-Field Licensee or Lpath, as applicable, and the Out-of-Field Licensee or Lpath may elect to pay for *** percent (***%) of any expenses related to the Infringement Action. If the Out-of-Field Licensee or Lpath elects not to pay *** percent (***%) of such expenses, any Infringement Action undertaken by Pfizer pursuant to this Section 8.9(d)(i)(A) shall be at Pfizer's expense. If Pfizer bears all costs, Lpath agrees to reasonably cooperate, as Pfizer may from time to time request and at Pfizer's expense, in connection with such an Infringement Action, including timely commencing or joining such Infringement Action if Lpath is a necessary or indispensible party or if Lpath's joinder is necessary to establish standing. Pfizer agrees to consider any reasonable input provided by Lpath or any Out-of-Field Licensees. Lpath shall contractually obligate any Out-of-Field Licensee to timely commence or join in any such Infringement Action, at Pfizer's expense, if such Out-of-Field Licensee is a necessary or indispensible party or if such Out-of-Field Licensee's joinder is necessary to establish standing.

If Pfizer pays all of the costs of the Infringement Action, Pfizer will keep all recoveries. If the Out-of-Field Licensee or Lpath elects to pay for *** percent (***%) of all costs of the Infringement Action, recoveries from such an Infringement Action would be allocated as follows (referred to herein as the "Recovery Allocation"): recoveries shall be used first to reimburse the party or parties that have paid for the Infringement Action for its attorneys' fees and other costs and expenses of bringing or maintaining such Infringement Action (including amounts paid by a party with respect to expenses of the other parties) and any remainder shall be allocated as follows: ***.

(B) If Pfizer does not initiate an Infringement Action under Section 8.9(d)(i)(A) within *** (***) days following a written request from Lpath or an Out-of-Field Licensee to do so, an Out-of-Field Licensee (or, if Lpath has itself Launched a Licensed Product for an indication outside the Field, Lpath) shall have the right to initiate and thereafter control such Infringement Action in the name of either or both Pfizer and the Out-of-Field Licensee in order to abate such infringement, at the Out-of-Field Licensee's expense; provided, however, that an Out-of-Field Licensee or Lpath, if applicable, shall be entitled to initiate such an Infringement Action only in the case where the following conditions are met (herein referred to as the "Enforcement Conditions") (w) the Licensed Product for use in the Field is the first approved use of a Licensed Product in the jurisdiction in which the Out-of-Field Licensee wishes to initiate such an Infringement Action; (x) Pfizer shall have the right to intervene or otherwise participate in such Infringement Action; (y) Out-of-Field Licensee agrees to consider any reasonable input provided by Pfizer; and (z) either (1) such Out-of-Field Licensee has annual

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revenue that is equal to or exceeds *** U.S. Dollars (US $ ***) for the *** fiscal year as reported in the financial statements of the Out-of-Field Licensee; or (2) such Out-of-Field Licensee has annual revenue that is equal to or exceeds *** U.S. Dollars (US $***) for the *** fiscal year as reported in the financial statements of the Out-of-Field Licensee and the Out-of-Field Licensee uses counsel approved by Pfizer (such approval not to be unreasonably withheld) to pursue such Infringement Action. If Lpath is the party bringing the action, the Enforcement Conditions above will apply except that condition (z) will be replaced with the following different condition (z): either (1) Lpath has annual revenue that is equal to or exceeds *** U.S. Dollars (US $***) for the *** fiscal year as reported in the financial statements of the Out-of-Field Licensee; or (2) Lpath has annual revenue that is equal to or exceeds *** U.S. Dollars (US $***) for the *** fiscal year as reported in the financial statements of Lpath and Lpath uses counsel approved by Pfizer (such approval not to be unreasonably withheld) to pursue such Infringement Action or, (3) Lpath must have commercialized a Licensed Product for an indication outside the Field for at least *** years and Lpath uses counsel approved by Pfizer (such approval not to be unreasonably withheld) to pursue such Infringement Action.

Pfizer agrees to reasonably cooperate, as the Out-of-Field Licensee may from time to time request and at the Out-of-Field Licensee's expense, in connection with such an Infringement Action, including timely commencing or joining such Infringement Action if Pfizer is a necessary or indispensible party or if Pfizer's joinder is necessary to establish standing.

As a condition to bringing such Infringement Action against any Third Party, such Out-of-Field Licensee shall either be contractually obligated to (or, if such Out-of-Field Licensee is not contractually obligated to, shall agree in writing to) permit Pfizer, at Pfizer's expense, to participate in and assist such Out-of-Field Licensee in such Infringement Action as Pfizer, in its sole discretion, deems appropriate. ***.

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(iii) Infringements in the *** Enforcement Zone or *** . With respect to allegedly infringing activities that are solely within the *** as described in Section (i) above, the following shall apply:

(A) The Out-of-Field Licensee (or, if Lpath has itself Launched a Licensed Product for an indication outside the Field, Lpath) shall have the first right, but not the obligation, to institute and thereafter control, an Infringement Action with respect to the Primary Lpath Patent Rights, or to take such other action as it deems reasonable in the circumstances, in order to abate such infringing activities, but the Out-of-Field Licensee or Lpath, as applicable may only exercise these rights if the Enforcement Conditions have been satisfied. Any Infringement Action undertaken by the Out-of-Field Licensee or Lpath, as applicable, pursuant to this Section 8.9(d)(ii)(A) shall be at its expense. Pfizer agrees to reasonably cooperate, as the Out-of-Field Licensee or Lpath, as applicable, may from time to time request and at the expense of the Out-of-Field Licensee (or of Lpath, if Lpath pursues such Infringement Action), in connection with such an Infringement Action, including timely commencing or joining such Infringement Action if Pfizer is a necessary or indispensible party or if Pfizer's joinder is necessary to establish standing. Lpath shall require the Out-of-Field Licensee to agree (and, if Lpath pursues such action, Lpath agrees) to consider any reasonable input provided by Pfizer. ***.

(B) If the Out-of-Field Licensee (or, if Lpath has itself Launched a Licensed Product for an indication outside the Field, Lpath) does not initiate an Infringement Action under Section 8.9(d)(ii)(A) within *** days following a written request from Pfizer to do so, an Pfizer shall have the right to initiate and thereafter control such Infringement Action in the name of either or both Pfizer and the Out-of-Field Licensee (or Lpath if applicable) in order to abate such infringement, at Pfizer's expense. Pfizer agrees to consider any reasonable input provided by the Out-of-Field Licensee or Lpath, as applicable. As a condition to an Out-of-Field Licensee receiving the first right to bring an Infringement Action with respect to allegedly infringing activities in the ***, such Out-of-Field Licensee shall have agreed (by contract, or otherwise in writing) to reasonably cooperate, as Pfizer may from time to time request and at Pfizer's expense, in connection with such an Infringement Action, including timely commencing or joining such Infringement Action if such Out-of-Field Licensee is a necessary or indispensible party or if such Out-of-Field Licensee's joinder is necessary to establish standing. As a condition of bringing such Infringement Action against any Third Party, Pfizer agrees to permit such Out-of-Field Licensee (or Lpath, if Lpath has itself Launched a Licensed Product outside the Field), at

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such party's expense, to participate in and assist Pfizer in such Infringement Action as such party, in its sole discretion, deems appropriate. ***.

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8.10 Enforcement of Secondary Lpath Patent Rights.

Lpath shall have the sole right, but not the obligation, to initiate and control Infringement Actions with respect to Secondary Lpath Patent Rights.

8.11 Biosimilar Applications.

Each Party shall immediately give written notice to the other of any notice received from a Third Party of an application for FDA approval under the Biologics Price Competition and Innovation Act of 2009 (or any amendment or successor statute thereto) of a Generic Product referencing a Licensed Product or any certification under a similar statutory or regulatory requirement in any non-United States country in the Territory claiming that an Lpath Patent Right is invalid or that infringement will not arise from the development, manufacture or commercialization of a proposed Generic Product by a Third Party. Upon the giving or receipt of such notice, Pfizer shall have the sole right, but not the obligation, to bring an infringement action against such Third Party in connection with such certification. In the case of an Lpath Patent Right, Pfizer shall notify Lpath at least *** days prior to the date set forth by statute or regulation of its intent to exercise, or not exercise, this right.

8.12 Other Actions by a Third Party.

(a) Each Party shall promptly notify the other in the event it becomes aware of any administrative action by any Third Party involving an Lpath Patent Right, including any nullity, revocation, reexamination or compulsory license proceeding.

(b) With respect to Primary Lpath Patent Rights, Pfizer shall have the first right, but not the obligation, to defend against any such action involving a Primary Lpath Patent Right, in its own name, and any such defense shall be at Pfizer's expense. Lpath, upon request of Pfizer, agrees to timely commence or join in any such action at Pfizer's expense and in any event to cooperate with Pfizer at Pfizer's expense, and in any event Pfizer agrees to consider any reasonable input provided by Lpath. If Pfizer fails to defend against any such action involving an Lpath Patent Right, then Lpath (or, if applicable, Lpath's Out-of-Field Licensee) shall have the right to defend such action, in its own name, and as between Pfizer and Lpath any such defense shall be at Lpath's expense. Pfizer, upon request of Lpath, agrees to timely commence or join in any such action at Lpath's (or the Out-of-Field Licensee's) expense and in any event to cooperate with Lpath or its Out-of-Field Licensee in any such action at Lpath's (or the Out-of-Field Licensee's) expense.

(c) With respect to Secondary Lpath Patent Rights, Lpath shall have the sole right, but not the obligation, to defend against any such action involving a Secondary Lpath Patent Right in its own name and any such defense shall be at Lpath's expense.

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8.13 Compensation to Inventors.

As between Lpath and Pfizer: (i) only Lpath shall be responsible for any compensation and any other payments due to the inventors of any Lpath Patent Rights owned by Lpath; (ii) for Lpath Patent Rights licensed to Lpath under the Existing Lpath Agreements, Lpath will be responsible for payments to the applicable Third Party licensors of such Lpath Patent Rights if Pfizer makes the payments described in Section 8.8 above to Lpath (and not if Pfizer makes such payments directly to the applicable Third Party licensor of such Lpath Patent Rights under Section 8.8); and (iii) for other Lpath Patent Rights licensed to Lpath by a Third Party, only Lpath shall be responsible to make payments to the applicable Third Party licensors under the applicable license agreement for such Lpath Patent Rights.

Section 9 CONFIDENTIALITY; PUBLICATION.

9.1 Confidential Information.

(a) Pfizer and Lpath each agree that during the Term and for *** years after the Term, it will keep confidential, and will cause its Affiliates to keep confidential, all of the other Party's Confidential Information that is disclosed to it, or to any of its Affiliates, and that it shall not, and shall cause its Affiliates not to, use any of such Confidential Information of the other Party for any purpose other than the exercise of its rights and licenses hereunder. Pfizer and Lpath each agree to take such action, and to cause its Affiliates to take such action, to preserve the confidentiality of the other's Confidential Information (Lpath Confidential Information in the case of Pfizer, and Pfizer Confidential Information in the case of Lpath), as it would customarily take to preserve the confidentiality of its own similar types of confidential information.

(b) Each of Pfizer, Lpath and their respective Affiliates agree (i) to use the other's Confidential Information (Lpath Confidential Information in the case of Pfizer, and Pfizer Confidential Information in the case of Lpath), only as expressly permitted in this Agreement and (ii) not to disclose the other's Confidential Information, to any Third Parties under any circumstance without the prior consent of the other Party, except as expressly permitted in this Agreement.

(c) Permitted Disclosures.

(i) Either Party may disclose the other's Confidential Information to the extent such disclosure is required under Law, provided that the Party so disclosing the other Party's Confidential Information (A) provides the other Party prior notice (to the extent practicable) of such disclosure, (B) uses reasonable efforts to secure confidential treatment thereof (whether by protective order or otherwise, as applicable), and (C) agrees to cooperate, at the request and sole expense of the other Party, with the other Party's efforts to preserve the confidentiality of such information in connection with such required disclosure.

(ii) Notwithstanding anything to the contrary in this Section 9, Pfizer may disclose Lpath Confidential Information (i) to Governmental

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Authorities (a) to the extent desirable to obtain or maintain INDs or Regulatory Approvals in the Field for any Licensed Product within the Territory, and (b) in order to respond to inquiries, requests or investigations relating to this Agreement; (ii) to outside consultants, contractors, advisory boards, managed care organizations, and non-clinical and clinical investigators, in each case to the extent desirable to develop, register or market any Licensed Product in the Field; provided that Pfizer shall obtain the same confidentiality obligations from such Third Parties as it obtains with respect to its own similar types of confidential information; (iii) in connection with filing or prosecuting Patent Rights or Trademark rights as permitted by this Agreement; (iv) in connection with prosecuting or defending litigation as permitted by this Agreement, (v) in connection with or included in scientific presentations and publications relating to Licensed Products in the Field, including abstracts, posters, journal articles and the like, and posting results of and other information about clinical trials to clinicaltrials.gov, PhRMA websites or any other analogous websites in any country in the Territory; and (vi) to the extent necessary or desirable in order to enforce its rights under this Agreement.

(iii) Notwithstanding anything to the contrary in this Section 9, Lpath may disclose Pfizer Confidential Information to: (i) Governmental Authorities (a) to the extent desirable to obtain or maintain INDs or Regulatory Approvals outside the Field for any Licensed Product within the Territory, and (b) in order to respond to inquiries, requests or investigations relating to this Agreement; (ii) to outside consultants, contractors, advisory boards, managed care organizations, and non-clinical and clinical investigators, actual or bona fide potential investors or acquirers, or actual or bona fide potential licensees or sublicensees or others on a need to know basis, in each case to the extent desirable to develop, register or market any Licensed Product outside the Field; provided that shall obtain the same confidentiality obligations from such Third Parties as it obtains with respect to its own similar types of confidential information; (iii) in connection with filing or prosecuting Patent Rights or Trademark rights as permitted by this Agreement; (iv) in connection with prosecuting or defending litigation as permitted by this Agreement, (v) subject to Section 9.2, in connection with or included in scientific presentations and publications relating to Licensed Products outside of the Field, including abstracts, posters, journal articles and the like, and posting results of and other information about clinical trials to clinicaltrials.gov, PhRMA websites or any other analogous websites in any country in the Territory; and (vi) to the extent necessary or desirable in order to enforce its rights under this Agreement. Lpath acknowledges that except as expressly required in this Agreement, Pfizer will not provide to Lpath any clinical or patient data, and or any regulatory or manufacturing information.

9.2 Scientific Publications.

Lpath shall not, and shall cause, its Affiliate and its Affiliates' employees, consultants, contractors, licensees and agents not to publish any scientific papers or make a presentation at any scientific conference with respect to any Licensed Product in the Field without Pfizer's prior written consent (which may be withheld in its sole and final discretion), except as may be required by Law or legal proceedings. For the avoidance of doubt, the foregoing shall not prevent Lpath from (i) disclosing or presenting information that has already been publicly disclosed as of the Execution Date by Lpath, or (ii) making any disclosure that is required by Law or legal proceedings. Lpath will provide Pfizer an advance copy of any scientific paper or presentation with respect to any Licensed Product outside the Field so that Pfizer may identify Pfizer Confidential Information for deletion or may discuss any concerns with respect to intellectual property protection. Pfizer will provide Lpath an advance copy of any scientific paper or presentation with respect to any Licensed Product inside the Field so that Lpath may identify Lpath Confidential Information regarding Licensed Products outside the Field for deletion or may discuss any concerns with respect to intellectual property protection.

9.3 Publicity.

(a) Except as set forth in Section 9.1(c) or 9.2, or this Section 9.3, (A) neither Party may make any public statement (written or oral), including in analyst meetings, concerning the terms of this Agreement, (B) Lpath may not make any public statement (written or oral), including in analyst meetings, concerning any Licensed Product in the Field, and (C) Pfizer may not make any public statement (written or oral), including in analyst meetings, concerning any Licensed Product outside the Field, except in each case where such statement: (i) is required by Law or legal proceedings, or applicable rule of a public stock exchange, (ii) is required to be contained in such Party's financial statements prepared in accordance with generally acceptable accounting principles in the United States, (iii) has been announced previously in accordance with this Section 9.3, or (iv) has been announced previously by the other Party, so long as, in the case of (iii) or (iv) such public statement is consistent with such previously announced statement. In the case of any public statement (written or oral) that is required by Law or legal proceedings, or applicable rule of a public stock exchange, Lpath shall (x) use Commercially Reasonable Efforts to obtain confidential treatment of financial and trade secret information, and (y) if reasonably practicable under the circumstances, give Pfizer sufficient advance notice of the text so that Pfizer will have the opportunity to comment upon the statement, and give due consideration to any such comments in the final statement.

(b) Notwithstanding the foregoing, Lpath will issue a press release to announce the execution of this Agreement in the form attached hereto as Exhibit 9.3(b); thereafter, Lpath and Pfizer may each disclose to Third Parties the information contained in such press release without the need for further approval by the other. In addition, the Parties agree that each Party may individually, or in a joint press release if both Parties agree, make press releases announcing Pfizer's exercise of its Option, the occurrence of the License Effective Date, the initiation of any clinical trial for a Licensed Product in the Field, Regulatory Approval of Licensed Products in the Field, the Launch of Licensed Products in the Field, any other event or matter that such Party is required to disclose by Law or legal proceedings or applicable rule of a public stock exchange, and such other matters as the other Party may approve, in each case after providing reasonable opportunity for review and approval of such press releases by the other Party in accordance with Section 9.3(b), below. When a Party (the "Requesting Party") wishes to issue a press release regarding a matter described in the preceding sentence, or requests the

other Party's approval to make a press release regarding other matters, it will give the other Party (the "Cooperating Party") through its JDC representatives (or such other representatives as the Cooperating Party may designate), a draft version of such press release for review and comment by the Cooperating Party at least *** Business Days prior to public disclosure thereof, unless earlier disclosure is required by Law or the applicable rules of a public stock exchange, in which event the draft press release shall be provided for review as much in advance of disclosure as reasonably practicable under the circumstances. If Lpath is the Requesting Party, Lpath agrees to incorporate all changes timely requested by Pfizer; provided, however, that the foregoing shall not be construed to require Lpath to incorporate changes that Lpath reasonably believes would make the disclosure false or misleading or omit a material disclosure that Lpath is required to make under Law or applicable rules of a public stock exchanger. If Pfizer is the Requesting Party, Pfizer agrees to consider all reasonable changes requested by Lpath.

9.4 Filing, Registration or Notification of the Agreement.

If a Party determines that it is required by Law, or applicable rule of a national stock exchange, to publicly file, register or notify this Agreement with a Governmental Authority, (i) such Party (the "Filing Party") shall give reasonable advance notice to the other Party of such disclosure requirement, (ii) the Parties shall consult with one another concerning which terms of this Agreement will be requested to be redacted, and the Filing Party shall allow the other Party an opportunity to review and comment upon the redacted version of this Agreement proposed to be filed and shall reasonably incorporate proposed changes requested by the other Party (the resulting redacted version of the Agreement referred to as the "Redacted Agreement"), provided that the first version of the Agreement submitted for redaction will, at a minimum, not include financial terms or other sensitive business terms (e.g. ***), (iii) request, and use Commercially Reasonable Efforts to obtain, confidential treatment of all terms redacted from this Agreement, as reflected in the Redacted Agreement, for a period of at least *** years, (iii) permit the other Party to review and approve such request for confidential treatment and any subsequent correspondence with respect thereto at least *** Business Days prior to its submission to such Governmental Authority, (iv) promptly deliver to the other Party any material written correspondence received by it or its representatives from such Governmental Authority with respect to such confidential treatment request and promptly advise the other Party of any other material communications between it or its representatives with such Governmental Authority with respect to such confidential treatment request, (v) upon the written request of the other Party, reasonably cooperate to request an appropriate extension of the term of the confidential treatment period, and (vi) if such Governmental Authority requests any changes to the redactions set forth in the Redacted Agreement, use Commercially Reasonable Efforts to support the redactions in the Redacted Agreement as originally filed and to discuss any changes to the Redacted Agreement with the other Party before agreeing to such changes and taking the other Party's comments into consideration when deciding whether to agree to such changes. Each Party shall be responsible for its own legal and other external costs in connection with any such filing, registration or notification.

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Section 10 REPRESENTATIONS AND WARRANTIES.

10.1 Lpath Representations and Warranties.

As of the date hereof and as of the License Effective Date of this Agreement, Lpath hereby represents and warrants to Pfizer as follows:

(a) Lpath has the corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder, and the execution, delivery and performance of this Agreement by Lpath have been duly and validly authorized and approved by proper corporate action on the part of Lpath, and Lpath has taken all other action required by Law, its certificate of incorporation, by-laws or other organizational documents or any agreement to which it is a Party or to which it may be subject required to authorize such execution, delivery and performance. Assuming due authorization, execution and delivery on the part of Pfizer, this Agreement constitutes a legal, valid and binding obligation of Lpath, enforceable against Lpath in accordance with its terms.

(b) The execution and delivery of this Agreement by Lpath and the performance by Lpath contemplated hereunder does not and will not violate any Laws or any order of any court or Governmental Authority.

(c)*** , the patents encompassed within the Lpath Patent Rights, are, or, upon issuance (if issued), will be, valid and enforceable patents and no Third Party (i) is infringing any such patents relating to any Licensed Product in development as of the date hereof or (ii) has challenged the extent, validity or enforceability of such patents (including by way of example through the institution or written threat of institution of interference, nullity or similar invalidity proceedings before the United States Patent and Trademark Office or any analogous foreign entity).

(d)***, the manufacture, use, sale, offer for sale, supply or importation by Lpath or Pfizer (or their respective Affiliates) of the Licensed Product in the Field, as such Licensed Product was manufactured and formulated by Lpath as of the Execution Date, does not and will not infringe any issued patent of any Third Party or, if and when issued, any claim within any published patent application of any Third Party, in each case, which patent or patent application (i) is not a Controlled Lpath Patent Right as of the Execution Date and/or (ii) was not licensed to the Person who manufactured and supplied Licensed Products to Lpath as of the Execution Date.

(e) Exhibit A-1 contains a complete and correct list of all patents and patent applications within the Primary Lpath Patent Rights owned by or otherwise Controlled by Lpath, and indicating which entity owns or Controls each patent and patent application and which are owned and which are Controlled, relating to the Licensed Products.

(f) Exhibit A-2 contains a complete and correct list of all patents and patent applications within the Secondary Lpath Patent rights owned by otherwise Controlled by Lpath, and indicating which entity owns or Controls each patent and patent application and which are owned and which are Controlled, relating to the Licensed Products.

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(g) With respect to Lpath Patent Rights and Lpath Technology owned by Lpath, Lpath is the sole legal and beneficial owner of all such Lpath Patent Rights and Lpath Technology and Lpath has sufficient right, title and interest in such Lpath Patents and Lpath Technology to convey the rights and licenses to Pfizer set forth herein, without conflict with any lien, encumbrance, charge, security interest, mortgage or other similar restriction, and no Person (including any Affiliate of Lpath) has any right, interest or claim in or to, and neither Lpath nor any of its Affiliates has entered into any agreement granting any right, interest, or claim in or to, any such Lpath Patent Rights or such Lpath Technology to any Third Party (including any academic organization or agency) that conflicts with the rights and licenses conveyed or to be conveyed to Pfizer under this Agreement.

(h) With respect to the Lpath Patent Rights owned by Lpath, ***, Lpath has complied with all applicable Laws, rules and regulations, including any disclosure requirements, in connection with the filing, prosecution, and maintenance of such Lpath Patent Rights in the Territory.

(i) With respect to the Lpath Patent Rights owned by Lpath, unless specifically indicated in a patent application or patent within such Lpath Patent Rights, none of the inventions claimed in such Lpath Patent Rights were conceived or first reduced to practice using federal funding from the United States government or any other Governmental Authority.

(j) With respect to the Lpath Patent Rights owned by Lpath, Lpath has obtained assignments of all inventorship rights from all Persons listed as inventors on such Lpath Patent Rights, and all such assignments of inventorship rights relating to such Lpath Patent Rights have (for counterparts in the United States) been recorded at the United States Patent and Trademark Office and, to the knowledge of Lpath, are valid and enforceable.

(k) With respect to the Lpath Patent Rights owned by Lpath, ***, Lpath has complied with all provisions of any Laws, foreign or domestic, related to the rights as inventors of Persons that are named as inventors on such Lpath Patent Rights.

(l)***. The Third Party Licenses heretofore delivered to Pfizer represents the complete agreement and understanding between the Third Party Licensees and Lpath relating to the Lpath Patent Rights and Lpath Technology which are the subject of the Third Party Licenses. The Third Party Licenses have not been modified, supplemented or amended, other than by amendments thereto provided to Pfizer prior to the Execution Date. Except for the Third Party Licenses, there are no agreements to which Lpath or any of its Affiliates is a party pursuant to which Lpath or any of its Affiliates has a license, or an option to obtain a license, or holds an immunity from suit, with respect to patents which (i) are pending, applied for, granted or registered, and (ii) but for Lpath's rights under such agreements, could be asserted by Third Parties to be infringed by the distribution, use, or sale of Licensed Products. The Third Party Licenses are in full force and effect, all payments to date required to be made thereunder by Lpath have been made, and Lpath is in compliance in all respects with its respective obligations thereunder.

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(m) Lpath has heretofore disclosed to Pfizer all material scientific and technical information and all information relating to safety and efficacy known to it or its Affiliates with respect to the Licensed Products in the Field.

(n) Lpath has heretofore disclosed to Pfizer all material correspondence and contact information between Lpath and the FDA and any other Governmental Authorities regarding the Licensed Products in the Field.

(o) Schedule 10.1(o) sets forth a complete and correct list of all Existing Lpath Agreements as of the Execution Date.

(p) Except for filings pursuant to the HSR Act, if any, neither the execution and delivery of this Agreement by Lpath requires Lpath to obtain any permits, authorizations or consents from any Governmental Authority, and neither the execution and delivery of this Agreement nor the performance hereof by Lpath requires Lpath to obtain any permits, authorizations or consents from any other Person, and such execution, delivery and performance will not result in the breach of or give rise to any right of termination, rescission, renegotiation or acceleration under, or trigger any other rights under, any agreement or contract to which Lpath is a party or to which it may be subject that relates to the Lpath Patent Rights, the Lpath Technology or the Licensed Products.

(q) There is no action, claim, demand, suit, proceeding, arbitration, grievance, citation, summons, subpoena, inquiry or investigation of any nature, civil, criminal, regulatory or otherwise, in law or in equity, pending or, to the knowledge of Lpath, threatened against Lpath, any of its Affiliates or any Third Party, in each case in connection with the Lpath Patent Rights, the Lpath Technology or the Licensed Products or relating to the transactions contemplated by this Agreement.

(r) Lpath has not and will not directly or indirectly offer or pay, or authorize such offer or payment, of any money or anything of value to improperly seek, or corruptly seek to influence any Government Official (as defined below). Further, Lpath undertakes to update the representations and warranties herein if (during the term of this Agreement) Lpath, or any of the employees, individuals, or subcontractors who will be primarily responsible for performing under this Agreement, or a relative of such an employee or individual or subcontractor, becomes a Government Official. Lpath will comply with Pfizer Inc.´s Anti-Bribery and Anti-Corruption Principles as set out in Exhibit C attached hereto with respect to all its activities related to Licensed Products. For purposes of this Agreement, a “Government Official” is broadly defined as and includes: (i) any elected or appointed Government Official (e.g., a member of a ministry of health); (ii) any employee or Person acting for or on behalf of a government official, agency, or enterprise performing a governmental function; (iii) any political party, officer, employee, or Person acting for or on behalf of a political party or candidate for public office; or (iv) an employee or Person acting for or on behalf of a public international organization; where “government” is meant to include all levels and subdivisions of non-US governments (i.e., local, regional, or national and administrative, legislative, or executive).

Upon written request of Pfizer, within ten (10) Business Days following the License Effective Date, Lpath shall deliver to Pfizer an updated version of Exhibit A (referenced in Section 10.1(e)), and of Schedule 10.1(o).

10.2 Pfizer Representations and Warranties .

As of the date hereof and as of the License Effective Date of this Agreement, Pfizer hereby represents and warrants to Lpath as follows:

(a) Pfizer has the corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder, and the execution, delivery and performance of this Agreement by Pfizer have been duly and validly authorized and approved by proper corporate action on the part of Pfizer, and Pfizer has taken all other action required by Law, its certificate of incorporation or by-laws, or any agreement to which it is a party or to which it may be subject, required to authorize such execution, delivery and performance. Assuming due authorization, execution and delivery on the part of Lpath, this Agreement constitutes a legal, valid and binding obligation of Pfizer, enforceable against Pfizer in accordance with its terms.

(b) The execution and delivery of this Agreement by Pfizer and the performance by Pfizer contemplated hereunder does not and will not violate any Laws or any order of any court or Governmental Authority, except for such violations that would not have an adverse effect on the ability of Pfizer to perform its obligation under this Agreement.

(c) Except for filings pursuant to the HSR Act, if any, neither the execution and delivery of this Agreement nor the performance hereof by Pfizer requires Pfizer to obtain any permits, authorizations or consents from any Governmental Authority (other than any regulatory approvals relating to the manufacture, use, importation or sale of any Licensed Product) or from any other Person, and such execution, delivery and performance will not result in the breach of or give rise to any right of termination under any agreement or contract to which Pfizer is a party or to which it may be subject, except for those breaches or rights that would not adversely affect the ability of Pfizer to perform its obligations under this Agreement.

(d) There is no action, claim, demand, suit, proceeding, arbitration, grievance, citation, summons, subpoena, inquiry or investigation of any nature, civil, criminal, regulatory or otherwise, in law or in equity, pending or, to the knowledge of Pfizer, threatened against Pfizer or any of its Affiliates relating to the transactions contemplated by this Agreement.

(e) Pfizer and its Affiliates have not and will not directly or indirectly offer or pay, or authorize such offer or payment, of any money or anything of value to improperly seek, or corruptly seek to influence any Government Official (as defined below) with respect to all activities related to the Licensed Product in the Field. Pfizer and its Affiliates will comply with Pfizer Inc.´s Anti-Bribery and Anti-Corruption Principles as set out in Exhibit C attached hereto with respect to all its activities related to Licensed Products in the Field. For purposes of this Agreement, a “Government Official” is broadly defined as and includes: (i) any elected or appointed Government Official (e.g., a member of a ministry of health); (ii) any employee or Person acting for or on behalf of a government official, agency, or enterprise performing a governmental function; (iii) any political party, officer, employee, or Person acting for or on behalf of a political party or candidate for public office; or (iv) an employee or Person acting for or on behalf of a public international organization; where “government” is meant to include all levels and subdivisions of non-US governments (i.e., local, regional, or national and administrative, legislative, or executive).

10.3 Disclaimer of Warranty.

EXCEPT AS OTHERWISE EXPRESSLY STATED IN THIS AGREEMENT, NEITHER PARTY MAKES ANY REPRESENTATION OR WARRANTY OF ANY KIND WITH RESPECT TO LICENSED PRODUCTS, LPATH PATENT RIGHTS, OR LPATH TECHNOLOGY. EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION 10, EACH PARTY EXPRESSLY DISCLAIMS ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NONINFRINGEMENT.

Section 11 ADDITIONAL COVENANTS.

11.1 Compliance with Laws.

Each of Lpath and Pfizer shall conduct, and shall use reasonable efforts to cause its Affiliates to conduct, all its activities contemplated under this Agreement in accordance with all applicable Laws of the country in which such activities are conducted.

11.2 Ordinary Course of Business.

Except as Pfizer shall otherwise consent to in writing, Lpath shall use its Commercially Reasonable Efforts (a) during the Option Period, to operate the business of Lpath with respect to Licensed Products, Lpath Patent Rights and Lpath Technology in accordance with this Agreement (and, to the extent consistent with this Agreement, in the ordinary course of business consistent with past practice of Lpath), and (b) during the Option Period, to preserve intact the Lpath Technology that had not already been provided to Pfizer, and (c) if Pfizer exercises its Option and the License Effective Date occurs, to transfer to Pfizer, in accordance with the Transition Plan, all Regulatory Approvals for Licensed Products in the Field and applications therefore and all related data for Licensed Products in the Field.

11.3 Access.

From and after the Option Exercise Date, Lpath shall, upon reasonable notice from Pfizer, provide Pfizer and its agents and representatives with reasonable access, during regular business hours, to (a) all information concerning Licensed Products in the Field, Lpath Patent Rights and/or Lpath Technology, and (b) all employees of Lpath who possess any information described in clause (a) of this Section 11.3.

11.4 Financial Covenants.

During the Option Period, Lpath agrees that it will reserve at least *** dollars ($***) of the payments made by Pfizer on the Execution Date to conduct and pay for Lpath's share of the Phase 1b and Phase 2a Clinical Studies. Lpath will reserve at least *** dollars ($***) of the payments made by Pfizer on the Execution Date to ***. Upon request by Pfizer, Lpath will certify that it is in compliance with these financial covenants. Lpath agrees that its failure to comply with these covenants constitutes a material breach of this Agreement.

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Section 12 NON-COMPETITION. From the Execution Date until the end of the applicable Royalty Term, neither Lpath nor any of its Affiliates may, directly or indirectly, develop or commercialize in or for any country in the Territory, for treating any ***, any Licensed Product or any other ophthalmic pharmaceutical product that has at least ***.

In the event of any Change of Control of Lpath described in clause (a) or (b) of Section 1.6, the restrictions set forth in this 11.4 shall not apply with respect to any product of the acquirer of Lpath, or of any Affiliate of such acquirer that was not an Affiliate of Lpath prior to such Change of Control, that (i) is being researched, developed or commercialized at the time of, or prior to, such Change of Control by such acquirer or its Affiliate and that are not the subject of any grant of a license or any other right from Lpath immediately prior to such Change of Control or (ii) that is researched, developed or commercialized after such Change of Control independently and without reference to any of Lpath's non-public know-how or information related to Sonepcizumab or program related to Licensed Products and/or continuing activities related to Licensed Products, if any, in such program after such Change of Control.

Section 13 TERM AND TERMINATION.

13.1 Term. This Agreement shall be effective as of the Execution Date and shall remain in effect until the expiration of the Term, except with respect to Section 3.2 (Product Licenses), which shall be effective as of the License Effective Date, and this Agreement may be terminated as set forth below.

13.2 Termination Rights.

This Agreement may be terminated as follows:

(a) If either Pfizer or Lpath materially breaches or materially defaults in the performance or observance of any of its respective obligations under this Agreement, and such breach or default is not cured within ninety (90) days after the giving of written notice by the other Party specifying such breach or default, then such other Party shall have the right to terminate this Agreement by providing the breaching Party further written notice at any time within twenty (20) days following the expiration of such ninety (90)-day period (such termination to be effective upon receipt of such further termination notice). For the purpose of this Section 13.2(a), a material breach or material default shall include a material inaccuracy in any warranty or representation contained herein. In addition, (i) Pfizer may terminate this Agreement effective immediately upon notice to Lpath, if Lpath breaches any of the representations and warranties set forth in Section 10.1(r) or if Pfizer learns that improper payments are being or have been made to Government Officials (as defined in Section 10.1(r)) by Lpath with respect to services performed or activities undertaken either on behalf of Lpath or in connection with Lpath's provision of services to any other Party, and (ii) Lpath may terminate this Agreement upon thirty (30) days notice to Pfizer, if Pfizer or its Affiliate breaches any of the representations and warranties set forth in Section 10.2(e) or if Pfizer makes improper payments to Government Officials (as defined in Section 10.2(e)) by Pfizer or its Affiliate with respect to its development and commercialization of Licensed Products; provided, however, that such termination by Lpath for such breach of Section 10.2(e) or for improper payments by Pfizer to Government Officials will only be effective if Pfizer, in a final unappealable decision of a court

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of competent jurisdiction, has been found to have made improper payments under the Foreign Corrupt Practices Act with respect to Licensed Products, or if Pfizer has entered into a settlement with a government authority admitting that it has made such improper payments.

(b) Pfizer, upon *** days written notice to Lpath, shall have the right, at Pfizer's sole discretion, to terminate this Agreement, such termination to be effective upon the expiration of such *** day period.

(c) In the event that Pfizer and its Affiliates discontinue development and commercialization of Licensed Products in the Field for all Major Market Countries] (and do not intend to resume such material activities within *** months after such discontinuation), Lpath shall have the right to terminate this Agreement in its entirety upon *** days written notice; provided, however, that this Agreement will not so terminate if Pfizer notifies Lpath in writing within such *** days period that Pfizer or its Affiliates intend to resume development or commercialization activities for Licensed Products in the Field for the Major Market Countries, and Pfizer or its Affiliates in fact do resume such material activities within *** days after such written notice from Lpath.

(d) Either Party shall have the right to terminate this Agreement if Pfizer exercises the Option and decides to make a filing under the HSR Act, and the License Effective Date has not occurred (for any reason) within *** days after the date that Pfizer makes such HSR filing.

13.3 Accrued Obligations.

Expiration or termination of this Agreement for any reason (x) shall be without prejudice to Lpath's right to receive all royalties accrued under Section 6.3 prior to the effective date of such termination and, except as expressly otherwise provided in Section 6.5, any other payments due hereunder that have accrued prior to the effective date of such termination, (y) shall be without prejudice to any other remedies that either Party may otherwise have, and (z) shall not release a Party hereto from any indebtedness, liability or other obligation incurred hereunder by such Party prior to the date of termination or expiration.

13.4 Effect of Termination.

(a) Upon any termination of this Agreement pursuant to Section 13.2, all licenses, rights and options granted herein to Pfizer shall terminate, other than the license granted to Pfizer in Section 3.3 (Non-Exclusive License), a and the license granted to Lpath in Section 3.3 shall survive such termination. If a Party has given the other Party proper notice of termination of this Agreement, other than in the event of termination by Pfizer pursuant to Section 13.2(a), (i) Pfizer shall exercise its licenses under Section 3.2 during such notice period solely to the extent reasonably necessary to fulfill its obligations under this Agreement and for the orderly wind-down and transfer of the Licensed Products to Lpath, (iii) Lpath shall have the right to negotiate with Third Parties with respect to re-licensing the Licensed Products in the Field during such notice period, and (iv) during such notice period, the licenses granted to Pfizer shall become non-exclusive.

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(b) Upon any termination of this Agreement after the License Effective Date, other than a termination by Pfizer pursuant to Section 13.2(a), the following shall apply:

(i) Pfizer shall, promptly after such termination (A) transfer to Lpath ownership of all regulatory filings and Regulatory Approvals that relate solely to Licensed Products in the Field; (B) deliver to Lpath all registration toxicology and clinical data and information in Pfizer's possession or control relating solely to Licensed Products, including for clarity, manufacturing data, if any (subject to the proviso at the end of this sentence), in the same form in which Pfizer maintains such data; and (C) deliver to Lpath, in the same form in which Pfizer maintains such items, copies of all reports, records, regulatory correspondence and other materials in Pfizer's possession or control relating solely to the clinical development of Licensed Products, including, if applicable, any information contained in the global safety database established and maintained by Pfizer; provided that the Parties agree that any good faith failure by Pfizer to provide immaterial data, information, reports, records, correspondence or other materials to Lpath shall not be a breach of Pfizer's obligations under this Section 13.4(b). To the extent Pfizer is able to grant Lpath sublicenses under Third Party intellectual property rights for the development, manufacture or commercialization of Licensed Products in connection with this Section 13.4(b), Pfizer and Lpath shall, if desired by Lpath, enter into an agreement covering such licenses, and Lpath shall be responsible for all royalties and other amounts payable to such Third Parties with respect to the development, manufacture or commercialization of Licensed Products.

(ii) Pfizer and Lpath will work together to transition responsibility for manufacturing of Licensed Products from Pfizer to Lpath.

If the transition occurs before the completion of *** (the "*** Transition"), Pfizer will provide to Lpath all of its remaining inventory of clinical supplies subject to negotiation of a commercially reasonable supply agreement if Lpath desires such remaining inventory of *** supplies, and in such event Lpath will purchase such inventory of clinical supplies at *** percent (***%) of Pfizer's costs. Pfizer, in its sole discretion and subject to negotiation of a *** supply agreement with Lpath, may provide additional *** supplies to Lpath. During the *** Transition, Pfizer's transition team, including representatives from project management, pharmaceutical sciences, drug safety, regulatory and clinical, will participate in *** day meeting with the Lpath team to plan the *** Transition, and thereafter will commit to providing *** hours to facilitate the transfer of the Licensed Product. If Lpath wishes additional support beyond the *** hours, Pfizer

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will provide such support and Lpath agrees to pay for additional *** hours at a rate of $*** per hour until the completion of such transfer.

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If the transition occurs after the completion of the final *** or *** of the Licensed Product in any country ("*** Transitions"), Pfizer shall continue to manufacture (in accordance with ***) Licensed Products for supply to Lpath or a Third Party designated by Lpath, upon request of Lpath, for a period of up to *** months, subject to negotiation of a commercially reasonable supply agreement. Lpath will purchase such supplies at *** percent (***%) of Pfizer's costs. During the *** Transition, Pfizer will provide transition support for up to *** months.

If Licensed Products are manufactured by a Third Party contract manufacturer on behalf of Pfizer, Pfizer will use reasonable efforts to ensure that the manufacturing agreement is assignable upon transfer of the rights related to the Licensed Product. If such agreement is assignable, Pfizer will assign the contract as soon as reasonably practicable. If the supply agreement is not assignable, and Phase III Studies have been completed or the Licensed Product has been Launched in any country, Pfizer will order supplies of the Licensed Product on behalf of Lpath for up to *** months and Lpath will purchase the supplies from Pfizer at *** percent (***%) of Pfizer's cost.

Promptly following such termination of this Agreement, the Parties shall discuss mutually acceptable procedures for forecasting or purchase order lead times that are reasonable and customary for the manufacture and supply of pharmaceutical products.

(iii) Upon request of Lpath, Pfizer or its Affiliate shall continue the conduct of any On-going Clinical Trials of Licensed Products in the Field for a period of up to *** days, at Pfizer's expense. Upon mutual agreement of the Parties, Pfizer may continue such clinical trials beyond such *** days period, provided that the Parties agree upon applicable payments and other mutually agreed terms and conditions with respect to such continuation beyond the initial *** day period after the effective date of termination. For purposes of this Section 13.4(b)(iii), a clinical trial of a Licensed Product in the Field shall be an "On-going Clinical Trial" if, as of the effective date of termination, (A) one or more human subject have been enrolled in such clinical trial and (B) such clinical trial (including all collection of data as indicted in the applicable protocol) has not been completed.

(iv) Subject to the limitations above, the Parties shall generally cooperate reasonably and use all reasonable efforts to promptly and expeditiously facilitate the transfer of the manufacture, development (including control and performance of any on-going clinical trials) and commercialization of Licensed Products, and the transfer of related data and information, to Lpath from

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Pfizer with the goal of completing the transfer of capabilities, to the extent practicable under the circumstances, within *** days after the effective date of such termination.

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(v) If Pfizer terminates this Agreement pursuant to Section 13.2(b) based upon the reasonable determination that the Licensed Product should not be further developed and commercialized in the Field because the use of the Licensed Product in the Field by patients presents a significant safety risk, Pfizer will not be obligated to revert the program in accordance with this Section 13.4(b). If Pfizer makes such a determination regarding safety, Pfizer will provide Lpath with its safety analysis and discuss the analysis in detail with Lpath.

(c) If this Agreement terminates in its entirety pursuant to Section 13.2 (other than termination by Lpath pursuant to Section 13.2(a)) after the License Effective Date but before the *** anniversary of the Launch in any Major Market Country of a Licensed Product in the Field, Lpath shall pay Pfizer *** percent (***%) of Field-Related Licensing Revenue, when and as received by Lpath, and, if Lpath or any of its Affiliates commercializes Licensed Products in the Field, a ***% royalty on net sales (which would be calculated in the same manner as Net Sales are calculated hereunder, and would be subject to corresponding offsets equivalent in scope to those set forth in the final paragraph of Section 6.3(e) and Section 8.8 but subject to a single combined floor of ***% of net sales) by Lpath and its Affiliates of such Licensed Products in the Field until the cumulative total of such payments by Lpath equals the Termination Repayment Cap Amount. If Lpath is obligated to make payments to Pfizer under this Section, the provisions of Article 7 applicable to Pfizer will apply to Lpath.

(d) Following termination of this Agreement pursuant to Section 13.2, each of Pfizer and Lpath shall, upon request of the other Party, return or destroy all Lpath Confidential Information and Pfizer Confidential Information, respectively, disclosed to it pursuant to this Agreement, including, without limitation, all copies and extracts of documents, as promptly as practicable following receipt of such request, except that one (1) copy may be kept for the purpose of complying with continuing obligations under this Agreement.

(e) In the event that Pfizer is entitled to terminate the Agreement pursuant to Section 13.2(a) for uncured material breach by Lpath, Pfizer may, in its sole discretion, upon written notice to Lpath within *** days following expiration of the applicable cure period set forth in Section 13.2(a), elect to maintain its licenses and rights under this Agreement and forego both the exercise of its rights to so terminate this Agreement pursuant to Section 13.2(a) and also its rights to obtain, or require Lpath to pay, any damages or other monetary remedy at law attributable to such material breach by Lpath, and lieu thereof may instead offset *** the amount of the damages or monetary recovery to which Pfizer would have otherwise been entitled as a result of such uncured material breach by Lpath against subsequent payments due from Pfizer to Lpath hereunder. In the event that Pfizer so elects Pfizer may offset any amounts agreed to by the parties, and if Lpath and Pfizer cannot agree upon other amounts that may be so offset by Pfizer, the amounts, if any, awarded to Pfizer by a competent court of first impression may be offset by Pfizer. If the decision of the court is appealed by either party, then an unappealed or unappealable judgment against Lpath shall become the conclusive measure of such damages or other monetary recovery. Pfizer agrees to refund the amount of any earlier offset if the unappealable judgment against Lpath is reduced. Pfizer and Lpath acknowledge and agree that the election set forth in this Section 13.4(d): (i) have been negotiated by the Parties to fully address any harm that Pfizer may incur as a result of Lpath's material breach of Lpath's

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obligations under this Agreement and compensate Pfizer for foregoing its right to terminate this Agreement pursuant to Section 13.2(a) for such uncured material breach by Lpath;(ii) constitute Pfizer's sole and exclusive monetary remedy with respect to any material breach by Lpath of Lpath's obligations under this Agreement in the event that Pfizer makes such election., and (iii) do not limit Pfizer's right to seek injunctive remedies for a breach of this Agreement.

13.5 Change of Control.

If there is a Change of Control of Lpath, Lpath shall notify Pfizer promptly, but in no event later than *** Business Days, following approval by Lpath's board of directors of any transaction that constitutes a Change of Control. Pfizer shall have the right upon *** days' notice following any such Change of Control to elect that Section 4 shall be deleted, in whole or in part, from this Agreement. If Pfizer makes any election as provided in this Section 13.5 to delete any Section, each of the Parties hereto will enter into an appropriate and customary written amendment and no Party shall have any further obligations with respect to any such deleted Section. For the avoidance of doubt, Pfizer shall be entitled, in its sole discretion, to make the elections provided for in this Section 13.5 upon each occurrence of a Change of Control.

13.6 Bankruptcy.

All rights and licenses granted under or pursuant to this Agreement by Lpath are, and shall otherwise be deemed to be for purposes of Section 365(n) of the U.S. Bankruptcy Code, licenses of rights to "intellectual property" as defined under Section 101 of the U.S Bankruptcy Code. The Parties agree that Pfizer, as licensee of intellectual property under this Agreement, shall retain and may fully exercise all of its rights and elections under the U.S. Bankruptcy Code. The Parties further agree that in the event of a rejection of this Agreement by Lpath in any bankruptcy proceeding by or against Lpath under the U.S. Bankruptcy Code, (i) Pfizer shall be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property, which, if not already in Pfizer's possession, shall be promptly delivered to it upon Pfizer's written request therefor and (ii) Lpath shall not interfere with Pfizer's rights to intellectual property and all embodiments of intellectual property, and shall assist and not interfere with Pfizer in obtaining intellectual property and all embodiments of intellectual property from another entity. The term "embodiments" of intellectual property includes all tangible, intangible, electronic or other embodiments of rights and licenses hereunder, including all compounds and products embodying intellectual property, Licensed Product, filings with Regulatory Authorities and related rights, and Technology. All references to the U.S. Bankruptcy Code in this Section 13.6 shall be deemed to include any analogous Laws in any other relevant jurisdiction in the Territory.

Section 14 INDEMNIFICATION.

14.1 Indemnification.

(a) Lpath Indemnification. Lpath will indemnify, defend and hold each of Pfizer, Pfizer's Affiliates, and their respective directors, officers and employees (collectively, "Representatives"), harmless from any and all Losses (as defined below) incurred by any of them as a result of Third Party claims to the extent attributable to:

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(i) the breach of any covenant, warranty or representation made by Lpath under this Agreement;

(ii) the gross negligence, recklessness, or willful misconduct of Lpath or any of its Affiliates; or

(iii) any acts or omissions by or under authority of Lpath or any of its Affiliates, or its or its Affiliates' employees, agents, consultants, contractors, or other Third Parties, in connection with the research, development or commercialization of Licensed Products prior to the License Effective Date (except to the extent such acts or omissions are attributable to Pfizer's exercise of its final decision-making authority under Section 4.1(d)), or following termination in whole or in part of this Agreement and the reversion of the applicable rights hereunder to Lpath in accordance with Section 13.4, (and in each case excluding acts or omissions by Pfizer or its Affiliates, or its or its Affiliates' employees, agents, consultants or contractors).

Lpath shall not be obligated to so indemnify, defend and hold Pfizer and its Representatives harmless to the extent that such Losses are the subject of Pfizer's indemnification obligation under Section 14.1(b) below.

(b) Pfizer Indemnification. Pfizer will indemnify, defend and hold Lpath and Lpath's Representatives, harmless from any and all Losses incurred by any of them as a result of Third Party claims to the extent attributable to:

(i) the breach of any covenant, warranty or representation made by Pfizer under this Agreement;

(ii) the gross negligence, recklessness, or willful misconduct of Pfizer or any of its Affiliates; or

(iii) any acts or omissions by or under authority of Pfizer or any of its Affiliates or sublicensees in connection with the research, development or commercialization of Licensed Products after the License Effective Date (excluding acts or omissions by Lpath or its Affiliates, or its or its Affiliates' employees, agents, consultants or contractors, prior to the License Effective Date, except to the extent such acts or omissions are attributable to Pfizer's exercise of its final decision-making authority under Section 4.1(d)).

Pfizer shall not be obligated to so indemnify, defend and hold Lpath harmless to the extent that such Losses are the subject of Lpath's indemnification obligation under Section 14.1(a) above.

14.2 Losses.

For purposes of this Agreement, "Losses" shall mean any and all costs, expenses, claims, losses, liabilities, damages, fines, royalties, governmental penalties or punitive damages, deficiencies, interest, settlement amounts, awards, and judgments, including any and all reasonable, out-of-pocket costs and expenses properly incurred as a result of a claim of a Third Party (including reasonable, out-of-pocket attorneys' fees and all other expenses reasonably incurred in investigating, preparing or defending any litigation or proceeding, commenced or threatened).

14.3 Defense Procedures; Procedures for Third Party Claims .

(a) If a Third Party (in no event to include any Affiliate of any of the Parties) asserts a claim with respect to any matter for which a party (the "Indemnified Party") is entitled to indemnification hereunder (a "Third Party Claim"), then the Indemnified Party shall promptly notify the Party obligated to indemnify the Indemnified Party (the "Indemnifying Party") thereof; provided, however, that no delay on the part of the Indemnified Party in notifying the Indemnifying Party shall relieve the Indemnifying Party from any obligation hereunder unless (and then only to the extent that) the Indemnifying Party is prejudiced thereby.

(b) The Indemnifying Party shall have the right, exercisable by notice to the Indemnified Party within ten (10) Business Days after receipt of notice from the Indemnified Party of the commencement of or assertion of any Third Party Claim, to assume direction and control of the defense, litigation, settlement, appeal or other disposition of the Third Party Claim (including the right to settle the claim solely for monetary consideration) with counsel selected by the Indemnifying Party and reasonably acceptable to the Indemnified Party.

(c) Within ten (10) Business Days after the Indemnifying Party has given notice to the Indemnified Party of its exercise of its right to defend a Third Party Claim (an "Assumption Notice"), the Indemnified Party shall give notice to the Indemnifying Party of any objection thereto, and may elect, upon written notice to the Indemnifying Party within ten (10) Business Days after the Assumption Notice from the Indemnifying Party, to defend such Third Party Claims itself, using counsel of its own choosing, at its own expense. If no such notice is given by the Indemnified Party, the Indemnifying Party shall be entitled, at its sole cost and expense, to assume direction and control of such defense, with counsel selected by the Indemnifying Party and reasonably acceptable to the Indemnified Party. During such time as the Indemnifying Party is controlling the defense of such Third Party Claim, the Indemnified Party shall cooperate, and shall cause its Affiliates and agents to cooperate upon request of the Indemnifying Party, in the defense or prosecution of the Third Party Claim, including by furnishing such records, information and testimony and attending such conferences, discovery proceedings, hearings, trials or appeals as may reasonably be requested by the Indemnifying Party. In the event that the Indemnifying Party does not notify the Indemnified Party of the Indemnifying Party's intent to defend any Third Party Claim within ten (10) Business Days after receiving written notice thereof, the Indemnified Party may (without further notice to the Indemnifying Party) undertake the defense thereof with counsel of its choice and at the Indemnifying Party's expense (including reasonable, out-of-pocket attorneys' fees and costs and expenses of enforcement or defense). The Indemnifying Party or the Indemnified Party, as the case may be, shall have the right to join in (including the right to conduct discovery, interview and examine witnesses and participate in all settlement conferences), but not control, at its own

expense, the defense of any Third Party Claim that the Indemnified Party is defending as provided in this Agreement.

(d) The Indemnifying Party shall not, without the prior consent of the Indemnified Party, enter into any compromise or settlement that commits the Indemnified Party to take, or to forbear to take, any action. The Indemnified Party shall have the sole and exclusive right to settle any Third Party Claim, on such terms and conditions as it deems reasonably appropriate, to the extent such Third Party Claim involves equitable or other non-monetary relief (provided, however, that the Indemnified Party shall not, and shall have no authority to, agree upon equitable or other non-monetary relief which binds the Indemnifying Party), but shall not have the right to settle such Third Party Claim to the extent such Third Party Claim involves monetary damages without the prior written consent of the Indemnifying Party. Each of the Indemnifying Party and the Indemnified Party shall not make any admission of liability on behalf of the other in respect of any Third Party Claim without the prior consent of the other party, and the Indemnified Party shall use reasonable efforts to mitigate losses arising from the Third Party Claim.

14.4 Disclaimer of Liability for Consequential Damages.

IN NO EVENT SHALL ANY PARTY OR ANY OF ITS RESPECTIVE AFFILIATES BE LIABLE UNDER THIS AGREEMENT FOR SPECIAL, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES, WHETHER IN CONTRACT, WARRANTY, TORT, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE, INCLUDING LOSS OF PROFITS OR REVENUE, SUFFERED BY PFIZER, LPATH OR ANY OF THEIR RESPECTIVE REPRESENTATIVES, EXCEPT (A) TO THE EXTENT OF ANY SUCH DAMAGES PAID TO A THIRD PARTY IN CONNECTION WITH A THIRD PARTY CLAIM WHICH IS SUBJECT TO INDEMNIFICATION PURSUANT TO SECTION 14, AND (B) IN THE EVENT OF (AND TO THE EXTENT ATTRIBUTABLE TO) AN INTENTIONAL AND WILLFUL BREACH OF ANY REPRESENTATION, WARRANTY, COVENANT OR AGREEMENT BY LPATH OR PFIZER (AS THE CASE MAY BE) CONTAINED IN THIS AGREEMENT; PROVIDED THAT THIS SECTION SHALL NOT RELIEVE EITHER PARTY FROM ITS PAYMENT OBLIGATIONS UNDER THIS AGREEMENT.

Section 15 GOVERNING LAW AND JURISDICTION.

15.1 Governing Law.

This Agreement shall be governed by and construed in accordance with the substantive laws of the State of New York, without regard to conflicts of law rules.

15.2 Jurisdiction.

With the exception of those matters referred for resolution by independent accountants under Section 7.5, in the event of any controversy, claim or counterclaim arising out of or relating to this Agreement, the Parties shall first attempt to resolve such controversy or claim through good faith negotiations for a period of not less than thirty (30) days following notification of such controversy or claim to the other Party. If such controversy or claim cannot be resolved by means of such negotiations during such period, then such controversy or claim shall be resolved by the United States District Court for the Southern District of New York or a local court sitting in New York, New York (collectively, the "Courts"). Each Party (a)

irrevocably submits to the exclusive jurisdiction in the Courts for purposes of any action, suit or other proceeding relating to or arising out of this Agreement and (b) agrees not to raise any objection at any time to the laying or maintaining of the venue of any such action, suit or proceeding in any of the Courts, irrevocably waives any claim that such action, suit or other proceeding has been brought in an inconvenient forum and further irrevocably waives the right to object, with respect to such action, suit or other proceeding, that such Court does not have any jurisdiction over such Party.

Section 16 MISCELLANEOUS.

16.1 Force Majeure.

Neither Party hereto shall be liable to the other Party for any losses or damages attributable to a default in or breach of this Agreement that is the result of war (whether declared or undeclared), acts of God, revolution, acts of terror, fire, earthquake, flood, pestilence, riot, enactment or change of Law (following the License Effective Date), accident(s), labor trouble, or shortage of or inability to obtain material equipment or transport or any other cause beyond the reasonable control of such Party; provided that if such a cause occurs, then the Party affected will promptly notify the other Party of the nature and likely result and duration (if known) of such cause and use Commercially Reasonable Efforts to reduce the effect. If the event lasts for a period of longer than *** months, the Parties shall meet and discuss appropriate remedial measures.

16.2 Severability.

If and solely to the extent that any provision of this Agreement shall be invalid or unenforceable, or shall render this entire Agreement to be unenforceable or invalid, such offending provision shall be of no effect and shall not affect the validity of the remainder of this Agreement or any of its provisions; provided, however, the Parties shall use their respective reasonable efforts to replace the invalid provisions in a manner that best accomplishes the original intentions of the Parties.

16.3 Waivers.

Any term or condition of this Agreement may be waived at any time by the Party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the Party or Parties waiving such term or condition. Neither the waiver by any Party of any term or condition of this Agreement nor the failure on the part of any Party, in one or more instances, to enforce any of the provisions of this Agreement or to exercise any right or privilege, shall be deemed or construed to be a waiver of such term or condition for any similar instance in the future or of any subsequent breach hereof. All rights, remedies, undertakings, obligations and agreements contained in this Agreement shall be cumulative and none of them shall be a limitation of any other remedy, right, undertaking, obligation or agreement.

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16.4 Entire Agreements; Amendments.

This Agreement sets forth the entire agreement and understanding between the Parties as to the subject matter hereof and supersedes all agreements or understandings, verbal or written, made between Lpath and Pfizer before the date hereof with respect to the subject matter hereof, including the Confidential Disclosure Agreement between the Parties dated *** and the Confidential Disclosure Agreement between the Parties dated ***. All Lpath Confidential Information disclosed to Pfizer prior to the License Effective Date will be deemed to have been disclosed pursuant to this Agreement. None of the terms of this Agreement shall be amended, supplemented or modified except in writing signed by the Parties.

16.5 Survival.

The provisions of Section 3.3 (Non-Exclusive License), Section 7.5 (Inspection of Records), Section 9 (Confidentiality), Section 13.3 (Accrued Obligations), Section 13.4 (Effect of Termination), Section 14 (Indemnification), and Section 15 (Governing Law and Jurisdiction), as well as any other Sections or defined terms referred to in such Sections or necessary to give them effect shall survive termination or expiration of this Agreement and remain in force until discharged in full.] Furthermore, any other provisions required to interpret and enforce the Parties' rights and obligations or to wind up their outstanding obligations under this Agreement shall survive to the extent required.

16.6 Assignment.

(a) Neither this Agreement nor any rights or obligations of either Party to this Agreement may be assigned or otherwise transferred by either Party without the consent of the other Party; provided, however, (i) either Party may, without such consent, assign this Agreement, in whole or in part: (x) to a Third Party where a Party or its Affiliate is required, or makes a good faith determination based on advice of counsel, to divest any of the Licensed Products in order to comply with Law or the order of any Governmental Authority as a result of a merger or acquisition; or (y) to a Third Party who acquires all or substantially all of the assets or the business line to which this Agreement relates and (ii) Pfizer may, without such consent, assign this Agreement, in whole or in part to any of its Affiliates.

(b) Any purported assignment in violation of this Section 16.6 shall be void. Any permitted assignee shall assume all obligations of its assignor under this Agreement.

16.7 Independent Contractor.

The relationship between Lpath and Pfizer is that of independent contractors. Lpath and Pfizer are not joint venturers, partners, principal and agent, employer and employee, and have no other relationship other than independent contracting parties. The Parties' obligations and rights in connection with the subject matter of this Agreement are solely and specifically as set forth in this Agreement, and the Parties acknowledge and agree that neither Party owes the other any fiduciary or similar duties or obligations by virtue of the relationship created by Agreement. Without limiting the foregoing, the Parties also acknowledge and agree that if a court of competent jurisdiction or an arbitrator should determine that, notwithstanding the terms of this Section 16.7, that such fiduciary or similar duties or obligations exist, the Parties hereby waive such duties and obligations and agree not to assert or rely upon such duties or obligations in connection with any dispute arising out of or relating to this Agreement.

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16.8 Notices.

Each communication and document made or delivered by one Party to another under this Agreement shall be made in the English language. All notices, consents, approvals, requests or other communications required hereunder given by one Party to the other hereunder shall be in writing and made by registered or certified air mail, express overnight courier or delivered personally to the following addresses of the respective Parties:

If to Lpath: Lpath, Inc.
6335 Ferris Square, Suite A
San Diego, CA 92121
U.S.A.
Attention:
Chief Executive Officer

with a copy to: Wilson Sonsini Goodrich & Rosati
650 Page Mill Road
Palo Alto, CA 94304
U.S.A
Attention: David W. Stevens

If to Pfizer: Pfizer Inc.
235 East 42nd Street
New York, New York 10017-5755
U.S.A.
Attention: Senior Vice President and Managing Director, Business Transactions

with a copy to: Pfizer Inc.
235 East 42nd Street
New York, New York 10017-5755
U.S.A.
Attention: General Counsel

Notices hereunder shall be deemed to be effective (a) upon receipt if personally delivered, (b) on the *** Business Day following the date of mailing if sent by registered or certified air mail; (c) on the *** Business Day following the date of transmission or delivery to the overnight courier if sent by facsimile or overnight courier. A Party may change its address listed above by sending notice to the other Party in accordance with this Section 16.8.

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16.9 Third Party Beneficiaries.

None of the provisions of this Agreement shall be for the benefit of or enforceable by any Third Party, including any creditor of either Party. No Third Party shall obtain any right under any provision of this Agreement or shall by reason of any such provision make any claim in respect of any debt, liability or obligation (or otherwise) against either Party.

16.10 Binding Effect.

This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective heirs, successors and permitted assigns.

16.11 Counterparts.

This Agreement may be executed in any two or more counterparts, each of which, when executed, shall be deemed to be an original and all of which together shall constitute one and the same document.

[Remainder of this Page Intentionally Blank.]

16.12 Headings.

Headings in this Agreement are included herein for ease of reference only and shall have no legal effect. References to the Parties, Sections, Schedules, and Exhibits are to the Parties, Sections, Schedules and Exhibits to and of this Agreement unless otherwise specified.

IN WITNESS WHEREOF the Parties hereto have caused this Agreement to be executed by their duly authorized officers upon the date set out below.

Lpath, Inc.	Pfizer Inc.
By: /s/ Scott Pancoast	By: /s/ Michael Dolsten
Name: Scott Pancoast	Name: Michael Dolsten
Title: President & CEO	Title: President Worldwide Research & Development

SCHEDULE 1.11 – PART A

INITIAL DEVELOPMENT PLAN

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SCHEDULE 1.11 – PART D

Timelines PEDigree and Nexus v. .2 2010-12-08 and Budget

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SCHEDULE 1.46
STUDY REPORT INFORMATION FORMAT

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SCHEDULE 1.64a

SEQUENCE OF SONEPCIZUMAB

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SCHEDULE 1.64b

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SCHEDULE 5.2

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EXHIBIT 9.3(b)

PRESS RELEASE

Lpath Grants Pfizer Exclusive Option for Worldwide License for iSONEP

San Diego, December 20, 2010: Lpath, Inc. (OTCBB: LPTN) has entered into an agreement providing Pfizer (NYSE: PFE) with an exclusive option for a worldwide license to develop and commercialize iSONEP™, Lpath's lead monoclonal antibody product candidate, which is being evaluated for the treatment of wet age-related macular degeneration (wet AMD) and other ophthalmology disorders. iSONEP is scheduled to begin a Phase 1b clinical trial in wet AMD patients with Pigment Epithelial Detachment (PED), a complication of wet AMD, in the first quarter of 2011 and a Phase 2a clinical trial in wet AMD patients in the second quarter of 2011.

Generated via Lpath's proprietary ImmuneY2™ drug-discovery platform, iSONEP is a humanized monoclonal antibody that binds and neutralizes the bioactive lipid, sphingosine-1-phosphate (S1P). Targeting S1P is a novel approach to address serious unmet medical needs in wet AMD, a condition that affects millions worldwide. In iSONEP's completed phase I trial in wet AMD patients, several subjects showed signs of biological activity, including lesion regression and complete resolution of PED.

Under the terms of the agreement, Pfizer will provide Lpath with an upfront option payment of $14 million in addition to sharing the cost of the planned Phase 1b and Phase 2a trials. Following completion of the two studies, Pfizer has the right to exercise its option for worldwide rights to iSONEP for an undisclosed option fee and, if Pfizer exercises its option, Lpath will be eligible to receive development, regulatory and commercial milestone payments that could total up to $497.5 million; in addition, Lpath will be entitled to receive tiered double-digit royalties based on sales of iSONEP. As part of the agreement, Lpath has granted to Pfizer a time-limited right of first refusal for ASONEP™, Lpath's product candidate that is being evaluated for the treatment of cancer. Two Phase 2a trials are currently planned to further assess ASONEP's efficacy and safety in cancer patients.

"We have been impressed by Lpath's innovative approach in targeting bioactive lipids with iSONEP and the potential opportunity to significantly add to current standard of treatment in retinal disease." said Mikael Dolsten, president of Pfizer Worldwide Research and Development.

"This risk sharing collaboration is led by our External Research Unit, whose mission is to develop high-impact medicines leveraging a virtual R&D model. We look forward to building the External Research Unit's portfolio through additional innovative

deals with prospective future partners," added Uwe Schoenbeck, VP and CSO, External R&D Innovation.

"We are thrilled to partner with Pfizer, a company that has demonstrated a commitment to innovative solutions and partnerships for the development of treatments across a wide spectrum of disease," says Scott Pancoast, chief executive officer of Lpath. "As we work with the Pfizer team to advance iSONEP through the next stage of clinical development, we expect to further demonstrate the important role that bioactive lipids play in disease processes. Lpath's unique ability to generate monoclonal antibodies to these targets presents a wealth of potential opportunity for new and innovative medicines over time."

About iSONEP

iSONEP is a humanized monoclonal antibody that binds to and inhibits the function of the S1P ligand (sphingosine-1-phosphate). Growing evidence suggests that the bioactive lipid S1P may contribute to both the early and the late stages of maladaptive retinal remodeling associated with wet AMD. S1P has demonstrated a non-VEGF-dependent pro-angiogenic effect and several other effects not exhibited by VEGF in nonclinical models. Therefore, inhibiting the action of S1P may be a novel and effective therapeutic treatment for wet AMD that may offer significant advantages over exclusively anti-VEGF approaches (or act synergistically with them) to address the complex processes and multiple steps that ultimately lead to vision loss.

About Lpath

San Diego-based Lpath, a therapeutic antibody company, is the category leader in lipidomics-based therapeutics, an emerging field of medicine that targets bioactive signaling lipids for treating a wide range of human disease. Lpath's ImmuneY2™ drug-discovery engine has the unique ability to generate therapeutic antibodies that bind to and inhibit bioactive lipids that contribute to disease. The company is advancing three drug candidates, two of which — iSONEP for wet AMD and ASONEP for cancer — have completed Phase 1 clinical trials. For more information, visit www.Lpath.com.

About Forward-Looking Statements

Except for statements of historical fact, the matters discussed in this press release are forward looking and reflect numerous assumptions and involve a variety of risks and uncertainties, many of which are beyond our control and may cause actual results to differ materially from stated expectations. For example, there can be no assurance that the agreement between Lpath and Pfizer will continue for any length of time or that the milestones stated in such agreement will be met. In addition, there is no assurance that results will be timely, necessary regulatory approvals will be obtained, the proposed treatments will prove to be safe or effective, or required clinical trials will be ultimately successful. Actual results may also differ substantially from those described in or contemplated by this press release due to risks and uncertainties that exist in our

operations and business environment, including, without limitation, our limited experience in the development of therapeutic drugs, our dependence upon proprietary technology, our history of operating losses and accumulated deficits, our reliance on research grants, current and future competition, and other risks described from time to time in our filings with the Securities and Exchange Commission. We undertake no obligation to release publicly the results of any revisions to these forward-looking statements to reflect events or circumstances arising after the date hereof.

Lpath, Inc.	Lpath Investor Relations
Scott R. Pancoast	Liolios Group, Inc. (949) 574-3860
President & CEO	Ron Both: ron@liolios.com
858-678-0800 x104	Geoffrey Plank: geoffrey@liolios.com
spancoast@Lpath.com	info@liolios.com

SCHEDULE 10.1(o)

EXISTING LPATH AGREEMENTS

August 2, 2005: Research Collaboration Agreement between AERES Biomedical Ltd. and Lpath, Inc. (Humanization of Sphingomab ™) and amended September 30, 2008.

August 8, 2006: License Agreement between Lonza Biologics plc and Lpath, Inc. (Manufacturing Sonepcizumab ™)

EXHIBIT A-1

PRIMARY LPATH PATENT RIGHTS

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EXHIBIT A-2

SECONDARY LPATH PATENT RIGHTS

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EXHIBIT B

TRANSITION PLAN

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EXHIBIT C

PFIZER ANTI-BRIBERY AND ANTI-CORRUPTION PRINCIPLES

Pfizer Corporate Policy # 201 (Lawful and Ethical Behavior) provides that Pfizer colleagues must conduct all Pfizer business in a lawful and ethical manner, in accordance with applicable laws and regulations, including the U.S. Foreign Corrupt Practices Act of 1977 (the "FCPA"). The FCPA prohibits making, promising, or authorizing the making of a corrupt payment or providing anything of value to a government official to induce that official to make any governmental act or decision to assist a company in obtaining or retaining business. The FCPA also prohibits a company or person from using another company or individual to engage in any of the foregoing activities. As a U.S. company, Pfizer must comply with the FCPA and could be held liable as a result of acts committed anywhere in the world by a Pfizer consultant, agent, or representative, or even by a company acting on behalf of Pfizer ("Business Associates"). Therefore, Pfizer requires all of its Business Associates to conduct their Pfizer-related work in accordance with these principles.

Definition of a Government Official

Under Pfizer's policies, "government official" is broadly interpreted and includes: (i) any elected or appointed government official (e.g., a member of a ministry of health); (ii) any employee or person acting for or on behalf of a government official, agency, or enterprise performing a governmental function; (iii) any political party, officer, employee, or person acting for or on behalf of a political party or candidate for public office; or (iv) an employee or person acting for or on behalf of a public international organization (e.g., the United Nations). "Government" is meant to include all levels and subdivisions of governments (i.e., local, regional, or national and administrative, legislative, or executive). Because this definition of "government official" is so broad, it is likely that Business Associates will interact with a government official in the ordinary course of their business on behalf of Pfizer. For example, doctors employed by state-owned hospitals could be considered "government officials" under Pfizer's policies.

FCPA, Anti-Corruption and Anti-Bribery Principles

Business Associates may not directly or indirectly make, promise, or authorize the making of a corrupt payment or provide anything of value to any government official to induce that government official to make any governmental act or decision to help Pfizer obtain or retain business. Business Associates may never make a payment to or offer a government official any item or benefit, regardless of value, as an improper inducement for such government official to approve, reimburse, prescribe, or purchase a Pfizer product, to influence the outcome of a clinical trial, or otherwise improperly to benefit Pfizer's business activities.

Understand and Follow Local Laws

Business Associates need to understand whether local laws, regulations, or operating procedures (including requirements imposed by government entities such as state-owned hospitals or research institutions) impose any limits, restrictions, or disclosure requirements on compensation, financial support, donations, or gifts that may be provided to government officials. Business Associates must take into account and comply with any applicable restrictions in conducting their Pfizer-related activities. If a Business Associate is uncertain as to the meaning or applicability of any identified limits, restrictions, or disclosure requirements with respect to interactions with government officials, that Business Associate should consult with his or her primary Pfizer contact before undertaking their activities.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements (Nos. 333-149827 and 333-137318) on Form S-8 of our report dated March 23, 2011, relating to the consolidated financial statements appearing in this Annual Report on Form 10-K of Lpath, Inc. for the year ended December 31, 2010.

/s/ Moss Adams LLP
San Diego, California
March 23, 2011

Exhibit 31.1

CERTIFICATION

I, Scott R. Pancoast, Chief Executive Officer of Lpath, Inc. (the "Registrant"), certify that:

1. I have reviewed this annual report on Form 10-K of the Registrant;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report.

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: March 23, 2011

By: /s/ Scott R. Pancoast
Scott R. Pancoast
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Gary J.G. Atkinson, Chief Financial Officer of Lpath, Inc. (the "Registrant"), certify that:

1. I have reviewed this annual report on Form 10-K of the Registrant;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report.

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: March 23, 2011

By: /s/ Gary J.G. Atkinson
Gary J.G. Atkinson
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Scott Pancoast, Chief Executive Officer of Lpath, Inc. (the "Company") and Gary J.G. Atkinson, Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

(1) The Company's Annual Report on Form 10-K for the period ended December 31, 2010, to which this Certification is attached as Exhibit 32.1 (the "Annual Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 23, 2011

/s/ Scott R. Pancoast	/s/ Gary J.G. Atkinson
Scott R. Pancoast, CEO	Gary J.G. Atkinson, CFO

A signed original of this written statement required by Section 906 has been provided to Lpath, Inc. and will be retained by Lpath, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission, and is not to be incorporated by reference into any filing of Lpath, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing.